

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER __, 2018

NEW ISSUE-FULL BOOK ENTRY

NO RATING

In the opinion of Aleshire & Wynder, LLP, Bond Counsel, based on existing statutes, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes 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 tax, although Bond Counsel observes that interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for tax years beginning prior to January 1, 2018. Bond Counsel expresses no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "LEGAL MATTERS – Tax Matters" herein.

\$5,000,000*

**PERRIS JOINT POWERS AUTHORITY
LOCAL AGENCY REVENUE BONDS
(IA 3-CFD NO. 2014-1 (AVELINA)), 2018 SERIES A**

Due: September 1 as shown on inside cover

Dated: Date of Delivery

The Perris Joint Powers Authority Local Agency Revenue Bonds (IA 3-CFD No. 2014-1(Avelina)), 2018 Series A (the "Bonds") are being issued by the Perris Joint Powers Authority (the "Authority") to (i) acquire certain special tax bonds (the "District Bonds") issued by Community Facilities District No. 2014-1 (Avelina) of the City of Perris (the "District") for Improvement Area No. 3 ("Improvement Area No. 3") therein; (ii) fund a reserve account for the Bonds; and (iii) pay costs of issuance of the Bonds. See "FINANCING PLAN." The District was formed by the City of Perris (the "City"). The District Bonds are being issued to finance the acquisition and construction of certain public improvements and fees eligible to be financed by the District.

The Bonds are payable solely from Revenues and Redemption Revenues (defined herein) pledged by the Authority pursuant to that certain Indenture of Trust, dated as of November 1, 2018 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee") and from certain other funds pledged under the Indenture, all as further described herein. Revenues consist primarily of special taxes levied in Improvement Area No. 3 and paid to the Authority as debt service on the District Bonds.

The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Interest on the Bonds is payable on each March 1 and September 1, commencing March 1, 2019. The Bonds will be initially issued only in book-entry form and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository of the Bonds. Principal and interest (and premium, if any) on the Bonds is payable by the Trustee to DTC, which is to remit such payments to its Participants for subsequent distribution to the beneficial owners of the Bonds. See "THE BONDS — General Provisions" and — Book-Entry Only System" herein.

The Bonds are subject to optional, mandatory and special mandatory redemption prior to maturity as described herein. See "THE BONDS — Redemption."

CERTAIN EVENTS COULD AFFECT THE ABILITY OF THE AUTHORITY TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS WHEN DUE. THE PURCHASE OF THE BONDS INVOLVES SIGNIFICANT INVESTMENT RISKS, AND THE BONDS MAY NOT BE SUITABLE INVESTMENTS FOR MANY INVESTORS. SEE THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "SPECIAL RISK FACTORS" FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH HEREIN, IN EVALUATING THE INVESTMENT QUALITY OF THE BONDS.

*Maturity Schedule
(see inside cover)*

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Aleshire & Wynder, LLP, Irvine, California, as Bond Counsel. Certain legal matters will be passed upon for the City and the Authority by Aleshire & Wynder, LLP, the City Attorney and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel, for the Underwriter by its counsel, Kutak Rock LLP, Irvine, California and for the Trustee by its counsel. It is anticipated that the Bonds in definitive form will be available for delivery to DTC or its agent on or about November __, 2018.

Brandis Tallman

Dated: November __, 2018

* Preliminary, subject to change.

MATURITY SCHEDULE

**PERRIS JOINT POWERS AUTHORITY
LOCAL AGENCY REVENUE BONDS
(IA 3-CFD NO. 2014-1 (AVELINA)), 2018 SERIES A**

<i>Maturity (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP[†] No.</i>
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\$ _____ % Term Bonds due September 1, 20__; Yield _____%; Price _____ CUSIP[†] _____

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the Authority, the City, the District or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. None of the Authority, the City, the District or the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**PERRIS JOINT POWERS AUTHORITY
CITY OF PERRIS, CALIFORNIA**

AUTHORITY BOARD AND CITY COUNCIL

Michael M. Vargas, Mayor
Malcolm Corona, Mayor Pro Tem
Tonya Burke, Council Member
David Starr Rabb, Council Member
Rita Rogers, Council Member

CITY STAFF

Richard Belmudez, City Manager
Jennifer Erwin, Finance Director
Nancy Salazar, City Clerk
Eric Dunn, Esq., Aleshire & Wynder, LLP, City Attorney/Authority Counsel

BOND COUNSEL

Aleshire & Wynder, LLP
Irvine, California

DISCLOSURE COUNSEL

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

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc.
Irvine, California

SPECIAL TAX CONSULTANT

Willdan Financial Services
Temecula, California

TRUSTEE

U.S. Bank National Association
Los Angeles, California

Investment in the Bonds involves risks which are not appropriate for certain investors. Therefore, only persons with substantial financial resources (in net worth or income) who understand those risks should consider such an investment.

Except where otherwise indicated, all information contained in this Official Statement has been provided by the Authority, the City and the District. No dealer, broker, salesperson or other person has been authorized by the Authority, the City, the District, the Trustee or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Bonds other than as contained herein; and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the City, the District, the Trustee or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The information set forth herein which has been obtained from third party sources is believed to be reliable but is not guaranteed as to accuracy or completeness by the District, the City or the Authority. This Official Statement is not to be construed as a contract with the purchasers or Owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

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

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

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the City, the District or any other parties described herein since the date hereof. All summaries of the Indenture or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

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

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 Authority does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement. The District is obligated to provide continuing disclosure for certain historical information only. See the caption “MISCELLANEOUS — Continuing Disclosure” herein.

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

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

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REGIONAL MAP

AERIAL PHOTO

OFFICIAL STATEMENT

\$5,000,000*

**PERRIS JOINT POWERS AUTHORITY
LOCAL AGENCY REVENUE BONDS
(IA 3-CFD NO. 2014-1 (AVELINA)), 2018 SERIES A**

1) INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices hereto (the “Official Statement”), is to provide certain information concerning the sale and issuance of the Perris Joint Powers Authority Local Agency Revenue Bonds (IA 3-CFD No. 2014-1(Avelina)), 2018 Series A (the “Bonds”) issued under the Indenture (defined below).

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

Capitalized terms not defined herein shall have the meaning set forth in Appendix A hereto. See APPENDIX A — “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS.”

a) **Financing Purpose**

Purpose of the Bonds. The Bonds are being issued by the Perris Joint Powers Authority (the “Authority”) pursuant to an Indenture of Trust dated as of November 1, 2018 (the “Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The proceeds of the Bonds will be used to acquire the Improvement Area No. 3 of Community Facilities District No. 2014-1 (Avelina) of the City of Perris Special Tax Bonds, 2018 Series (the “District Bonds”), to fund a reserve account for the Bonds (the “Reserve Account”) and to pay the costs of issuing the Bonds. The principal and interest payments on the District Bonds to be received by the Authority are the primary source of repayment for the Bonds. See “FINANCING PLAN” herein.

Purpose of the District Bonds. The District Bonds are being issued by Community Facilities District No. 2014-1 (Avelina) of the City of Perris (the “District”) for Improvement Area No. 3 (“Improvement Area No. 3”) therein. The District Bonds are payable from special taxes (the “Special Taxes”) levied on property within Improvement Area No. 3 in accordance with the Rate and Method of Apportionment of Special Tax for Improvement Area No. 3 (the “Rate and Method”). The District was formed by the City of Perris (the “City”) to finance certain public facilities. See “THE DISTRICT AND IMPROVEMENT AREA NO. 3 — Improvement Area No. 3” and APPENDIX B — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” herein.

The net proceeds of the District Bonds, along with other available funds, will be used to finance the acquisition and construction of certain public improvements and fees eligible to be financed by the District. See “FINANCING PLAN” herein.

b) **The Bonds; The District Bonds**

The Bonds will be issued and will be secured under the Indenture by a pledge and lien on the Revenues and Redemption Revenues (as defined below) and from certain other funds pledged under the Indenture, all as

* Preliminary, subject to change.

further described herein. Revenues consist primarily of revenues received by the Authority from the payment of debt service on the District Bonds and amounts held in the funds and accounts established and held for the benefit of the Bonds under the Indenture. Debt service on the District Bonds is paid from the proceeds of Special Taxes levied on the taxable property within Improvement Area No. 3 which remain after the payment of administrative expenses. Redemption Revenues consist of (a) amounts received from the special mandatory redemption of the District Bonds from amounts constituting prepayments of special taxes and from amounts transferred from the Delinquency Management Fund under the Fiscal Agent Agreement, (b) amounts transferred from the Cash Flow Management Fund under the Indenture to redeem Bonds, and (c) amounts received from the optional redemption of the District Bonds. See “SECURITY FOR THE DISTRICT BONDS” and APPENDIX B — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

c) Legal Authority

The Bonds. The Bonds are being issued under Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”) and the Indenture.

The District Bonds. The District Bonds are being issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the “Mello-Roos Act”). The District Bonds are issued and secured under a Fiscal Agent Agreement dated as of November 1, 2018 (the “Fiscal Agent Agreement”), by and between the District and U.S. Bank National Association (the “Fiscal Agent”). The issuance of the District Bonds and the Fiscal Agent Agreement were approved by the City Council of the City of Perris (the “City Council”), acting as the legislative body of the District, on October __, 2018.

d) Sources of Payment for the Bonds and the District Bonds

The Bonds. The Bonds are secured by a first lien on and pledge of all of the Revenues and Redemption Revenues and a first lien and pledge of all moneys in the Bond Fund, the Revenue Fund, the Redemption Fund and the Cash Flow Management Fund in accordance with the Indenture (subject to the transfers from such Cash Flow Management Fund as authorized by the Indenture) including all amounts derived from the investment of such moneys. See “SECURITY FOR THE BONDS.”

Certain Account Not Pledged. Amounts held in the Rebate Account are not pledged to the repayment of the Bonds. See “SECURITY FOR THE BONDS — Revenues; Flow of Funds” herein.

District Bonds. The District Bonds are secured by a first pledge of all Special Tax Revenues and any District Redemption Revenues (as defined below) and all moneys deposited in the Bond Fund, the Special Tax Fund, the Redemption Fund and the Delinquency Management Fund in accordance with the Fiscal Agent Agreement. Notwithstanding the foregoing, “Special Tax Revenues” do not include any penalties or interest in excess of the interest payable on the District Bonds collected in connection with delinquent Special Taxes. See “SECURITY FOR THE DISTRICT BONDS — Special Tax Revenues and District Redemption Revenues.”

e) Description of the Bonds

Payments. Interest on the Bonds is payable on each March 1 and September 1, commencing March 1, 2019. Principal of and premium, if any, on the Bonds shall be payable by the Trustee. See “THE BONDS — General Provisions” and “— Book-Entry Only System” herein.

Denominations. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof.

Redemption. The Bonds are subject to optional, mandatory and special mandatory redemption prior to maturity. See “THE BONDS — Redemption” herein.

Registration, transfers and exchanges. The Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) under the book-entry system maintained by DTC. See “THE BONDS— Book-Entry Only System.”

Neither the Bonds nor the District Bonds are a debt of the City, and no revenues of the City are pledged to repayment of the Bonds or the District Bonds.

f) The Authority

The Authority is a joint exercise of powers authority organized and existing under and by virtue of the Joint Exercise of Powers Act, constituting Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State. The City and the Housing Authority of the City of Perris formed the Authority by the execution of a Joint Exercise of Powers Agreement dated as of March 26, 2013 (the “Joint Powers Agreement”). The City Council of the City serves as the Board of Directors of the Authority. The City Manager serves as the Executive Director and the City Clerk serves as the Secretary of the Authority. The City’s Finance Director serves as the Treasurer of the Authority.

g) The District and Improvement Area No. 3

General. The District comprises a portion of a residential development being marketed by the Developer (as defined herein) as “Avelina,” a planned residential community located in the City. Improvement Area No. 3 of the District is located to the west of Evans Road and is generally bordered to the north by Citrus Avenue and to the south by Sunset Avenue. Centex Homes, a Nevada general partnership is the developer (the “Developer”) within the District. The Developer is an indirect wholly-owned subsidiary of PulteGroup, Inc., a Michigan corporation. At buildout, the Avelina project encompassing the entire District is expected to include 488 residential units. Improvement Area No. 3 is the third and final phase of the Avelina project and is expected to include 180 single family homes at buildout.

The first phase of the Avelina project, which is planned for 156 single family homes, and the second phase of the Avelina project, which is planned 152 single family homes, are located in Improvement Area No. 1 of the District (“Improvement Area No. 1”) and Improvement Area No. 2 of the District (“Improvement Area No. 2”), respectively. As of October 1, 2018, the Developer had completed and conveyed 138 homes within Improvement Area No. 1 to individual homeowners. As of such date, within Improvement Area No. 1, the Developer owned four model homes and 14 lots which are set aside as part of the model home complex for the Avelina project. As of October 1, 2018, the Developer had completed and conveyed 134 homes within Improvement Area No. 2 to individual homeowners. As of such date, the Developer owned 18 homes under construction (15 of which were in escrow to be sold) within Improvement Area No. 2.

Special taxes levied by the District within Improvement Area No. 1 and Improvement Area No. 2 are not pledged to repay the District Bonds.

Improvement Area No. 3. Improvement Area No. 3 consists of 31 net developable acres located generally on the southwest corner of Evans Road and Citrus Avenue and is bordered by Sunset Avenue to the south and Evans Road to the east. The proposed development within Improvement Area No. 3 consists of 180 single family homes and is the third and final phase of the Developer’s Avelina project in the City. As of October 1, 2018, within Improvement Area No. 3, the Developer had completed 120 homes, including 112 of which had been conveyed to individual homeowners and eight of which were owned by the Developer (six of which were in escrow). As of such date, the Developer owned 27 homes under construction (20 of which were in escrow) and 33 finished lots (14 of which were in escrow).

All the backbone infrastructure necessary to complete development within Improvement Area No. 3 is complete. Final grading has been completed on all lots within Improvement Area No. 3. Remaining in tract

infrastructure for individual lot access and associated gutters and landscape improvements are expected to be completed in conjunction with home construction on the applicable lots.

All building permits have been issued for the planned homes within Improvement Area No. 3 and all 180 lots will be classified as Developed Property (as defined in the Rate and Method) for the Fiscal Year 2019-20 Special Tax levy. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

Formation Process. Pursuant to the Act, the City Council adopted resolutions on October 14, 2014, stating its intention to establish the District and Improvement Area Nos. 1 through 3 therein, and its intention to authorize bonded indebtedness for the District for Improvement Area Nos. 1 through 3 therein. On January 13, 2015, the District was formed and an election within each of Improvement Area No. 1 through 3 therein was held pursuant to the Act. At that time, the qualified electors within Improvement Area No. 3, which consisted solely of the then owner of land in Improvement Area No. 3, (i) authorized the District to incur bonded indebtedness of up to \$5,000,000 for Improvement Area No. 3 in order to finance certain public facilities and various costs related thereto, (ii) approved the Rate and Method, and (iii) approved the levy of the Special Tax on the taxable property within Improvement Area No. 3 to pay the principal and interest on District Bonds and annual administrative expenses of the District, and to make any replenishments to the reserve account.

Pursuant to the Act, the City Council now acts as the legislative body for the District. The District administrative services are provided by the City’s staff.

The Special Taxes are included on the regular property tax bills sent to the record owners of property within Improvement Area No. 3. See “SECURITY FOR THE DISTRICT BONDS —Special Tax Revenues and District Redemption Revenues.” The District will covenant for the benefit of the owners of the District Bonds that, under certain circumstances described herein, it will commence judicial foreclosure proceedings with respect to delinquent Special Taxes. See “SECURITY FOR THE DISTRICT BONDS — Covenants of the District.”

Neither the faith and credit nor the taxing power of the City, the County of Riverside (the “County”), the State or any political subdivision thereof (other than the taxing power of the District) is pledged to the payment of the District Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the District Bonds. The District Bonds are not general or special obligations of the City or the District, but are limited obligations of the District payable solely from Special Taxes collected in Improvement Area No. 3 and certain amounts held under the Fiscal Agent Agreement as more fully described herein.

h) Professionals Involved in the Offering

All proceedings in connection with the issuance of the Bonds are subject to the approval of Aleshire & Wynder, LLP (“Bond Counsel”). The City Attorney will render a legal opinion on certain matters for the Authority and the District. Certain legal matters will be passed upon for the Authority and the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as disclosure counsel (“Disclosure Counsel”) and for Brandis Tallman LLC (the “Underwriter”), by its counsel, Kutak Rock LLP, Irvine, California. Fieldman, Rolapp & Associates, Inc. is acting as municipal advisor (the “Municipal Advisor”) to the Authority. Willdan Financial Services is acting as special tax consultant to the City (the “Special Tax Consultant”). U.S. Bank National Association, Los Angeles, California (the “Trustee”), will act as the trustee for the Bonds.

Disclosure Counsel, the Municipal Advisor, Underwriter’s Counsel and the Underwriter will receive compensation contingent upon issuance of the Bonds.

i) Continuing Disclosure

The District will execute a Continuing Disclosure Agreement, dated as of the Closing Date, and will covenant therein for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to Improvement Area No. 3 in an annual report (the “Annual Report”) to be filed no later than December 31 of each year commencing with the Annual Report for the year ending December 31, 2018 (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. The initial District Report to be filed by December 31, 2018, shall consist of this Official Statement and the City’s audited financial statements. Thereafter, each Annual Report shall contain or include by reference the information set forth in the Continuing Disclosure Agreement. The Annual Report and notices of enumerated events will be filed by the Authority with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system at <http://emma.msrb.org/> (“EMMA”). These covenants will be made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). During the last five years, the Authority and the City have failed to comply in certain respects with their continuing disclosure obligations related to outstanding bonded indebtedness.

In connection with the issuance of the Bonds, the Developer will agree to provide, or cause to be provided to EMMA, certain updates with respect to the development within Improvement Area No. 3 and notices of certain enumerated events. See Appendix E for a description of the specific nature of the annual reports and enumerated event notices to be filed by the Developer.

See “MISCELLANEOUS — Continuing Disclosure” and Appendix D and Appendix E for a description of the specific nature of the Annual Reports and notices of listed events to be provided by the District and the Developer.

2) FINANCING PLAN

a) Purpose of Issue

The Authority is issuing the Bonds to purchase the District Bonds, to fund the Reserve Account and to pay the costs of issuing the Bonds. See “— Estimated Sources and Uses of Funds” below.

b) Estimated Sources and Uses of Funds

The Bonds. The anticipated sources and uses of funds relating to the Bonds are as follows:

Sources:

Principal Amount of the Bonds
Less Net Original Issue Discount

Total Sources

Uses⁽¹⁾:

Bond Purchase Fund
Reserve Account
Cost of Issuance⁽²⁾

Total Uses

⁽¹⁾ The Authority will acquire the District Bonds for a total purchase price of \$_____ and in consideration of the purchase, the District and the Authority will agree to the application of the purchase price of the District Bonds as set forth below under the caption “— *District Bonds.*”

⁽²⁾ Includes fees of the Trustee, Bond Counsel, Disclosure Counsel, Municipal Advisor and Special Tax Consultant, Underwriter’s discount, and other legal fees, printing costs and other related costs.

District Bonds. The anticipated sources and uses of funds relating to the District Bonds are as follows:

Sources:

Principal Amount

Bond Purchase Discount⁽¹⁾

Total Sources

Uses:

Improvement Fund

Total Uses

⁽¹⁾ Reflects amounts for net original issue discount and Underwriter's discount, and amounts to be deposited to the Reserve Account and Costs of Issuance Fund under the Indenture.

3) THE BONDS

a) General Provisions

The Bonds will be dated their date of delivery, and the Bonds will mature in the amounts and on the dates set forth on the inside front cover hereof. The Bonds will bear interest from their dated date at the rates per annum set forth on the inside front cover hereof, payable each March 1 and September 1, commencing March 1, 2019 (each, an "Interest Payment Date"). The Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof, so long as no Bond shall have more than one maturity date.

Interest on the Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed by first-class mail, postage prepaid, on each Interest Payment Date to the Owner at the address of such Owner as it appears on the Registration Books as of the close of business on the fifteenth day of the calendar month preceding the Interest Payment Date (the "Record Date"); provided, however, that at the written request of the Owner of at least \$1,000,000 in aggregate principal amount of Outstanding Bonds filed with the Trustee prior to any Record Date, interest on such Bonds shall be paid to such Owner on each succeeding Interest Payment Date by wire transfer of immediately available funds to an account in the continental United States designated in such written request. Any such written request shall remain in effect until rescinded in writing by the Owner. Principal of and premium (if any) on any Bond shall be paid upon presentation and surrender thereof, at maturity or the prior redemption thereof, at the Corporate Trust Office. The principal of and interest and premium (if any) on the Bonds shall be payable in lawful money of the United States of America.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated on or before the Interest Payment Date and after the close of business on the preceding record date, in which event it shall bear interest from such Interest Payment Date; or (b) it is authenticated on or before February 15, 2019, in which event it shall bear interest from the Closing Date; or (c) interest with respect to any outstanding Bond is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously paid in full or made available for payment thereon payable on each Interest Payment Date.

The Bonds will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 and any integral multiple thereof. See the subsection hereof entitled "— Book-Entry Only System."

b) **Redemption**

Optional Redemption.* The Bonds maturing on September 1, 20__, are not subject to optional redemption prior to maturity. The Bonds maturing on and after September 1, 20__ are subject to redemption prior to maturity at the option of the Authority on any Interest Payment Date on or after September 1, 20__, as a whole or in part, from such maturities as selected by the Authority and by lot within a maturity, from any available source of funds at the following redemption prices, expressed as a percentage of the principal amount of the Bonds to be redeemed, together with accrued interest to the date of redemption:

<i>Redemption Dates</i>	<i>Redemption Prices</i>
March 1, 20__ through March 1, 20__	%
September 1, 20__ and March 1, 20__	
September 1, 20__ and March 1, 20__	
September 1, 20__ and any Interest Payment Date thereafter	

Mandatory Sinking Fund Redemption.* The Bonds maturing September 1, 20__, are subject to mandatory redemption in part by lot, on September 1 in each year, commencing September 1, 20__ from mandatory sinking payments made by the Authority as provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date of redemption in the aggregate principal amounts in the respective years as set forth in the following schedule; provided, however, that (i) in lieu of redemption thereof, such Bonds may be purchased by the Authority and tendered to the Trustee and the Trustee shall cancel such tendered Bonds, and (ii) if some but not all of such Bonds have been redeemed pursuant to the optional or special mandatory redemption provisions described in the Indenture, the total amount of all future mandatory sinking payments will be reduced by the aggregate principal amount of such Bonds so redeemed, to be allocated among such mandatory sinking payments on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as determined by the Authority.

Bonds Maturing September 1, 20__

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Principal Amount to Be Redeemed</i>
(maturity)	\$

Special Mandatory Redemption From Prepayment of Special Taxes and Surplus Funds.* The Bonds are subject to mandatory redemption prior to maturity on any Interest Payment Date on or after September 1, 20__, in whole or in part from such maturities as selected by the Authority and by lot within a maturity, from the redemption of District Bonds from amounts constituting prepayments of Special Taxes, from amounts transferred from the Delinquency Management Fund under the Fiscal Agent Agreement and from amounts transferred by the Authority from the Cash Flow Management Fund under the Indenture at the following redemption prices (expressed as a percentage of the principal amount of Bonds to be redeemed) together with accrued interest thereon to the redemption date:

<i>Redemption Dates</i>	<i>Redemption Prices</i>
March 1, 20__ through March 1, 20__	103%
September 1, 20__ and March 1, 20__	102
September 1, 20__ and March 1, 20__	101

* Preliminary, subject to change.
* Preliminary, subject to change.

Notice of Redemption. So long as the Bonds are held by DTC, all notices of redemption will be sent only to DTC in accordance with its procedures and will not be delivered to any Beneficial Owner.

The Trustee on behalf and at the expense of the Authority will mail (by first-class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and to one or more Information Services, at least thirty (30) but not more than sixty (60) days prior to the date fixed for redemption. Neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice will state the date of the notice, the redemption date, and the redemption price and will designate the CUSIP numbers, the Bond numbers (but only if less than all of the Outstanding Bonds are to be redeemed) and the maturity of the Bonds to be redeemed, and will require that such Bonds be then surrendered at the Corporate Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

If at the time of mailing of any notice of optional redemption has not been deposited with the Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice will state that it is subject to the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date and will be of no effect unless such moneys are so deposited.

The Authority will have the right to rescind any notice of optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of such redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an event of default under the Indenture. The Authority and the Trustee will have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee will send notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

In addition to the foregoing notice, further notice will be given by the Trustee in said form by first-class mail to any Bond Owner whose Bond has been called for redemption but who has failed to tender his Bond for payment by the date which is sixty days after the redemption date, but no defect in said further notice nor any failure to give all or any portion of such further notice will in any manner defeat the effectiveness of a call for redemption.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Partial Redemption of Bonds. In the event only a portion of any Bond is called for redemption, then, upon surrender of such Bond, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same series and maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, such Bonds so called will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest will accrue thereon from and after the redemption date specified in such notice. All Bonds redeemed pursuant to the Indenture shall be canceled and destroyed.

Authority Notice. Notwithstanding any provisions in the Indenture to the contrary, upon any optional redemption or special mandatory redemption (other than sinking fund redemption) in part, the Authority will deliver a Written Certificate to the Trustee at least sixty (60) days prior to the proposed redemption date or such later date as shall be acceptable to the Trustee in the sole determination of the Trustee, so stating that the remaining payments of principal and interest on the District Bonds, together with other Revenues will be sufficient on a timely basis to pay debt service on the Bonds. The Authority will certify in such Written Certificate that sufficient moneys for purposes of such redemption are or will be on deposit in the Redemption Fund, and is required to deliver such moneys to the Trustee together with other Redemption Revenues, if any, then to be delivered to the Trustee, which moneys are required to be identified to the Trustee in the Written Certificate delivered with the Redemption Revenues.

Open Market Purchase of Bonds. In lieu of redemption of any Bond, the Trustee may, at any time and upon Written Request of the Authority, use and withdraw amounts on deposit in the Revenue Fund for the purchase of such Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Authority may in its discretion determine in accordance with all applicable laws and in accordance with the priority afforded the relative Bond under the Indenture.

c) Book-Entry Only System

The Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of DTC, and will be available to the Beneficial Owners purchasing interests in the Bonds in the Authorized Denominations, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. While the Bonds are subject to the book-entry system, the principal, interest and any redemption premium will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds. **The Authority gives no assurance that DTC or the DTC Participants will distribute payments or notices to Beneficial Owners.** See APPENDIX F — “DTC AND THE BOOK-ENTRY ONLY SYSTEM.” In the event that the book-entry-only system is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Indenture.

d) Estimated Debt Service Schedules: Bonds and District Bonds

The table below presents the debt service schedule for the Bonds (including mandatory sinking fund redemption) assuming there is no optional or special mandatory redemption of the Bonds prior to maturity.

DEBT SERVICE SCHEDULE FOR THE BONDS

<i>Year Ending September 1</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Debt Service</i>
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Total

Source: The Underwriter.

The table below summarizes the anticipated debt service payments to be received by the Authority (including mandatory sinking fund redemption) as the result of its ownership of the District Bonds, assuming there is no default in payment and no optional or special mandatory redemption of District Bonds prior to maturity.

DEBT SERVICE SCHEDULE FOR THE DISTRICT BONDS

<i>Year Ending September 1</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Debt Service</i>
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Total

Source: The Underwriter.

Annual debt service for the District Bonds has been structured so that, assuming no delinquencies, Special Taxes levied at the Maximum Special Tax rates on the 180 parcels of Developed Property, which comprise the Taxable Property within Improvement Area No. 3, will generate in each Fiscal Year not less than 110% of debt service payable and Administrative Expenses (which is estimated at \$12,286 for Fiscal Year 2019-20, and are expected to escalate at 2% per Fiscal Year), with respect to the District Bonds in the calendar year that begins in that Fiscal Year.

Principal and interest due on the District Bonds through September 1, 2019, will be paid from Special Taxes levied in Fiscal Year 2018-19, which included a levy on 109 parcels of Developed Property at the Maximum Special Tax rates within Improvement Area No. 3. In Fiscal Year 2019-20, the District expects to levy the Special Taxes on all 180 parcels of Developed Property at the Maximum Special Tax rates set forth in Table 1 of the Rate and Method (which escalates at 2% per Fiscal Year). The District will, subject to the Maximum Special Taxes prescribed therein and permitted by the Mello-Roos Act, levy Special Taxes in each Fiscal Year in an amount sufficient to achieve the Special Tax Requirement (as defined in the Rate and Method).

Limitation on Special Tax Levy and Potential Impact on Coverage. Pursuant to Section 53321(d) of the Mello-Roos Act and the Rate and Method for Improvement Area No. 3, under no circumstances may Special Taxes levied against any parcel of property used for private residential purposes be increased by more than ten percent (10%) as a consequence of delinquency or default by the owner of any other parcel within Improvement Area No. 3. Therefore, it is possible that Special Taxes may not be levied up to 100% of the Maximum Special

Tax rates in any particular fiscal year as a consequence of Special Tax delinquencies in Improvement Area No. 3.

4) SECURITY FOR THE BONDS

a) General

As described below, the Bonds are secured by and payable from Revenues and Redemption Revenues consisting primarily of amounts received by the Authority from the debt service payments on the District Bonds and amounts on deposit in the Reserve Account, the Cash Flow Management Fund (subject to the transfers from such fund as authorized by the Indenture) and the Redemption Fund. See “SECURITY FOR THE BONDS — Reserve Account,” “— Cash Flow Management Fund” and “— Redemption Fund.” Debt service payments of the District Bonds are paid from the Special Tax Revenues and District Redemption Revenues. See “SECURITY FOR THE DISTRICT BONDS — Special Tax Revenues and District Redemption Revenues.”

The Bonds are special obligations of the Authority payable solely from and secured solely by the Revenues and Redemption Revenues and other funds and accounts pledged therefor in the Indenture. The Bonds are not a debt or liability of the City, the State of California or any political subdivisions thereof other than the Authority to the limited extent described herein. The faith and credit of the Authority are not pledged to secure the payment of Bonds, nor is any other political subdivision liable therefor, nor in any event shall the Bonds or any interest or redemption premium thereon be payable out of any funds or properties other than those of the Authority as set forth in the Indenture. The Authority has no taxing power.

b) Revenues; Flow of Funds

Pledge of Revenues. The Bonds are secured by a first lien on and pledge (which is effected in the manner and to the extent provided in the Indenture) of all of the Revenues and Redemption Revenues and a first pledge of all of the moneys in the Bond Fund, the Revenue Fund, the Redemption Fund and the Cash Flow Management Fund (subject to the transfers from such fund as authorized by the Indenture) of the Indenture, including all amounts derived from the investment of such moneys. The Bonds are equally secured by a pledge, charge and first lien upon the Revenues and Redemption Revenues and such moneys without priority for number, date of Bonds, date of execution or date of delivery; and the payment of the interest on and principal of the Bonds and any premiums upon the redemption of any thereof are secured by an exclusive pledge, charge and first lien upon the Revenues and Redemption Revenues and such moneys.

The term “Revenues” is defined in the Indenture as: (a) all amounts received by the Authority from the District as principal of or interest on the District Bonds (including amounts constituting mandatory sinking fund payments on the District Bonds); (b) all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the Indenture for the Bonds, other than the Rebate Account, the Redemption Fund and the Cash Flow Management Fund; and (c) income and gains with respect to the investment of amounts on deposit in the funds and accounts established under the Indenture for the Bonds, other than the Rebate Account, the Redemption Fund and the Cash Flow Management Fund.

The term “Redemption Revenues” includes: (a) amounts received from the special mandatory redemption of the District Bonds from amounts constituting prepayments of Special Taxes and from amounts transferred from the Delinquency Management Fund under the Fiscal Agent Agreement, (b) amounts transferred from the Cash Flow Management Fund under the Indenture to redeem Bonds, and (c) amounts received from the optional redemption of the District Bonds.

So long as any of the Bonds are Outstanding, the Revenues and Redemption Revenues and such other money will not be used for any other purpose except as described in the Indenture for the payment of the Bonds;

except that out of the Revenues and Redemption Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by the Indenture.

The Authority transfers under the Indenture in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and Redemption Revenues and all of the right, title and interest of the Authority in the District Bonds (other than certain limitations of liability as described in the Indenture). The Trustee is entitled to and will receive all of the Revenues and Redemption Revenues, and any Revenues and Redemption Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will forthwith be paid by the Authority to the Trustee.

Deposit and Transfer of Revenues. All Revenues (excluding Redemption Revenues) derived from the District Bonds will be promptly deposited by the Trustee upon receipt thereof in the Revenue Fund. On or before each Interest Payment Date, the Trustee shall transfer from the Revenue Fund for deposit in the Bond Fund for application in the order described under the caption “— Application of Revenues” below; provided, however, that all Redemption Revenues will be deposited in the Redemption Fund in the amounts and on the dates required to effect the required redemption of the Bonds as set forth in the Indenture. See “THE BONDS — Redemption” and “SECURITY FOR THE BONDS — Redemption Fund” herein.

Application of Revenues. On or before each Interest Payment Date, the Trustee will transfer from the Revenue Fund, and deposit into the Bond Fund and the following respective accounts therein for the Bonds, the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

Interest Account. On or before each Interest Payment Date, the Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Bonds. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all Outstanding Bonds on such Interest Payment Date. All moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds redeemed prior to maturity).

Principal Account. On or before each date on which the principal of the Bonds are payable, the Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the aggregate amount of principal (including sinking fund payments) coming due and payable on such date on the Bonds pursuant to the Indenture. All moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds (including sinking fund payments).

Reserve Account. All amounts on deposit in the Revenue Fund on each Interest Payment Date not required to pay any interest on or principal of any Outstanding Bonds then having come due and payable, will be credited to the replenishment of the Reserve Account in an amount sufficient to maintain the Reserve Requirement therein.

All remaining amounts on September 2 (or the next Business Day to the extent September 2 is not a Business Day) of each year, commencing September 2, 2019, on deposit in the Revenue Fund will be transferred to the Cash Flow Management Fund. See “— Cash Flow Management Fund” below.

Deposit into Rebate Account. The Trustee will deposit in the Rebate Account (which account shall be established as a separate account to be held by the Trustee upon receipt of a Written Request from the Authority) from time to time, as set forth in the Indenture, an amount determined by the Authority to be subject to rebate to

the United States of America in accordance with the Indenture. Amounts in the Rebate Account are not pledged to the payment of the Bonds.

c) Reserve Account

A Reserve Account of the Bond Fund will be established under the Indenture which account will be held by the Trustee and will be funded in an amount equal to the Reserve Requirement. An amount of \$_____, equal to the initial Reserve Requirement will be deposited into the Reserve Account from the proceeds of the Bonds. The Reserve Requirement on any calculation date will not be greater than the initial Reserve Requirement.

The Authority shall deposit from the repayment of the District Bonds, and, to the extent necessary and to the extent permitted by law, from available surplus revenues with respect to other series of bonds issued by the Authority relating to community facilities districts, and maintain an amount of money equal to the Reserve Requirement in the Reserve Account at all times while the Bonds are Outstanding. Amounts in the Reserve Account will be used to pay debt service on the Bonds to the extent other moneys (including amounts in the Cash Flow Management Fund) are not available therefor. Earnings on amounts in the Reserve Account in excess of the Reserve Requirement will be deposited into the Revenue Fund, if and to the extent such earnings are not required to be retained in the Reserve Account to meet the Reserve Requirement. Upon redemption of the Bonds, amounts on deposit in the Reserve Account will be reduced (to an amount not less than the Reserve Requirement) and the excess moneys will be transferred to the Redemption Account and used for the redemption of the Bonds. Amounts in the Reserve Account may be used to pay the final year's debt service on the Bonds.

d) Cash Flow Management Fund

A Cash Flow Management Fund will be established under the Indenture which fund will be held by the Trustee. On September 2 of each year, commencing September 2, 2019 (or the next business day to the extent September 2 is not a business day), the Trustee will transfer any amounts on deposit in the Revenue Fund to the Cash Flow Management Fund. The Cash Flow Management Fund may also be funded at the election of the Authority from any available surplus revenues with respect to other series of local agency revenue bonds issued by the Authority to the extent such surplus revenues are loaned to replenish the Cash Flow Management Fund to the Cash Flow Management Fund Requirement. The Cash Flow Management Fund Requirement is, as of any calculation date, an amount equal to 15% of the Maximum Annual Debt Service on the Bonds. On the Closing Date, there will not be any amounts deposited in or on deposit in the Cash Flow Management Fund.

Amounts, if any, deposited into the Cash Flow Management Fund will be applied for the following purposes in the following order of priority:

(i) The Trustee will, prior to any draw on the Reserve Account, pay debt service on the Bonds from amounts in the Cash Flow Management Fund to the extent Revenues are insufficient for such purpose.

(ii) Upon the written direction of the Authority, the Trustee will transfer any amounts in the Cash Flow Management Fund to the trustee of any other series of local agency revenue bonds issued by the Authority to the extent any surplus revenues from such other series of local agency revenue bonds were loaned to replenish the Cash Flow Management Fund.

(iii) Upon the written direction of the Authority, the Trustee will transfer any amounts in the Cash Flow Management Fund to the trustee of any other series of local agency revenue bonds issued by the Authority in an amount estimated by the Authority to be necessary to prevent a shortfall in the amount required to pay debt service on such other series of local agency revenue bonds or to the fiscal agent of any local agency bonds issued by the City, on behalf of a community facilities district, an amount estimated by the Authority necessary to prevent a shortfall in the amount required to pay debt service on such local agency bonds, which all such transfers shall be treated as loaned amounts.

(iv) Upon the written direction of the Authority, the Trustee will transfer such amount as may be directed by the Authority for deposit in the Redemption Fund.

(v) The Trustee shall transfer all remaining amounts in the Cash Flow Management Fund in excess of the Cash Flow Management Fund Requirement to the Fiscal Agent for the District Bonds for deposit in the Delinquency Management Fund held under the Fiscal Agent Agreement as directed in writing by the Authority.

Subject to the foregoing transfers and applications in (ii) through (v) above, amounts in the Cash Flow Management Fund are pledged to the repayment of the Bonds.

e) Redemption Fund

There is established under the Indenture the Redemption Fund to be held by the Trustee, to the credit of which the Authority will deposit, immediately upon receipt, all Redemption Revenues. Under the Indenture, "Redemption Revenues" includes: (a) amounts received from the special mandatory redemption of the District Bonds from amounts constituting prepayments of special taxes and from amounts transferred from the Delinquency Management Fund under the Fiscal Agent Agreement, (b) amounts transferred from the Cash Flow Management Fund under the Indenture to redeem Bonds, and (c) amounts received from the optional redemption of the District Bonds.

Moneys in the Redemption Fund will be held in trust by the Trustee for the benefit of the Authority and the Owners of the Bonds, and will be used and withdrawn by the Trustee pursuant to any optional redemption or special mandatory redemption from prepayment of Special Taxes or from amounts transferred from the Delinquency Management Fund in accordance with the Fiscal Agent Agreement to redeem District Bonds.

f) No Parity Debt Except for Refunding Purposes

Except for the Bonds, or bonds issued for the purpose of refunding the Bonds, the Authority covenants that no additional bonds, notes or other indebtedness will be issued or incurred which are payable out of the Revenues or the Redemption Revenues in whole or in part.

5) SECURITY FOR THE DISTRICT BONDS

a) General

The District Bonds issued by the District are limited obligations of the District and are secured by Special Tax Revenues and District Redemption Revenues, amounts on deposit in the Special Tax Fund, the Bond Fund, the Redemption Fund and the Delinquency Management Fund (subject to the transfers from such fund as authorized by the Fiscal Agent Agreement) established under the Fiscal Agent Agreement. The District Bonds are payable from Special Tax Revenues and amounts on deposit in the Special Tax Fund after the payment of budgeted Administrative Expenses. The District's limited obligation to pay the principal of, premium, if any, and interest on the District Bonds from Special Tax Revenues and District Redemption Revenues and from certain funds pledged therefor under the Fiscal Agent Agreement is absolute and unconditional.

No District Bond issued by the District (and no additional bonds issued for refunding purposes under the Fiscal Agent Agreement relating to a District Bond, each a "District Parity Bond") is a legal or equitable pledge, charge, lien or encumbrance upon any of such District's property, or upon any of its income, receipts or revenues, except the Special Tax Revenues and Redemption Revenues collected in Improvement Area No. 3 and certain funds pledged therefor under the Fiscal Agent Agreement (subject to the payment of Administrative Expenses).

Except for the Special Tax Revenues and District Redemption Revenues and amounts on deposit in certain funds and accounts under the Fiscal Agent Agreement, no other property of the District or the

City and neither the credit nor the taxing power of the District or the City is pledged for the payment of the District Bonds or related interest, and no Owner of the Bonds may compel the exercise of taxing power by the City or the District or the forfeiture of any of its property. The principal of and interest on the District Bonds and premiums upon the redemption thereof, if any, are not a debt of the District or the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction.

b) Special Tax Revenues and District Redemption Revenues

Special Tax Revenues. The “Special Tax Revenues” pledged by the District for the District Bonds (and any District Parity Bonds) is defined in the Fiscal Agent Agreement as (a) the proceeds of the Special Taxes received pursuant to the Rate and Method by the District with respect to Improvement Area No. 3, including any scheduled payments thereof and interest thereon, (b) income and gains with respect to the investment of amounts on deposit in the funds and accounts established under the Fiscal Agent Agreement for the District Bonds and any District Parity Bonds, and (c) proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes. Notwithstanding the foregoing, “Special Tax Revenues” do not include any penalties or interest in excess of the interest payable on the District Bonds collected in connection with delinquent Special Taxes.

“Special Taxes” means the special taxes levied within Improvement Area No. 3 pursuant to the Mello-Roos Act, the Ordinance, the Fiscal Agent Agreement and the Rate and Method. The Special Taxes are collected in the manner and at the same time as *ad valorem* property taxes are collected and 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. See “THE DISTRICT AND IMPROVEMENT AREA NO. 3” and APPENDIX B — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

The City has established a fund known as the “Special Taxes Receipt Fund.” The City will deposit Special Taxes when received in the account within the Special Taxes Receipt Fund established for the District (and in a subaccount with respect to Improvement Area No. 3) and immediately thereafter transfer such amounts to the Fiscal Agent for deposit in the Special Tax Fund. Notwithstanding the previous sentence, any Special Taxes received by the City and prior to the Closing Date shall be deposited into the Special Tax Receipt Fund and shall be transferred to the Fiscal Agent for deposit in the Special Tax Fund after the Closing Date, but no later than _____, 2018.

The Fiscal Agent, under the Fiscal Agent Agreement will, on each date on which the Special Tax Revenues are received from the District, deposit the Special Tax Revenues in the Special Tax Fund. After depositing an amount of Special Tax Revenues budgeted for Administrative Expenses to the Administrative Expense Fund pursuant to a written direction of the District, no later than ten (10) Business Days prior to each Interest Payment Date, the Fiscal Agent will withdraw from the Special Tax Fund and transfer to the Bond Fund the following amounts:

- (1) To the Interest Account of the Bond Fund, an amount such that the balance in the Interest Account shall be equal to the installment of interest due on the District Bonds and District Parity Bonds on said Interest Payment Date;
- (2) To the Principal Account of the Bond Fund, an amount such that the balance in the Principal Account shall at least equal the principal payment (including mandatory sinking payments) due on the District Bonds and District Parity Bonds on said Interest Payment Date; and
- (3) The Delinquency Management Fund.

Delinquency Management Fund. The Fiscal Agent Agreement establishes a Delinquency Management Fund held by the Fiscal Agent. On the Closing Date, there will not be any amounts deposited in

or on deposit in the Delinquency Management Fund. On September 2 of each year, commencing September 2, 2019, the Fiscal Agent will transfer any amounts remaining in the Special Tax Fund following disbursement to the Interest Account and the Principal Account as described above, to the Delinquency Management Fund. Moneys in the Delinquency Management Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the District Bonds and District Parity Bonds, and shall be disbursed as follows:

(1) The Fiscal Agent will transfer to the appropriate accounts within the Bond Fund to pay debt service on the District Bonds and District Parity Bonds to the extent Special Tax Revenues are insufficient for such purpose.

(2) The Fiscal Agent will transfer from any amounts in the Delinquency Management Fund in excess of the Delinquency Management Fund Requirement (defined in the Fiscal Agent Agreement as the amount equal to 15% of Maximum Annual Debt Service for District Bonds and District Parity Bonds, as of any calculation date) to the Administrative Expense Fund in an amount determined by the District to pay Administrative Expenses to the extent amounts in the Administrative Expense Fund are insufficient therefor.

(3) The Fiscal Agent will transfer all remaining amounts in the Delinquency Management Fund in excess of the Delinquency Management Fund Requirement upon the written direction of the District, on the next redemption date for which notice of redemption can timely be given, to the Special Mandatory Redemption Account of the Redemption Fund held under the Fiscal Agent Agreement for redemption of the District Bonds unless the Fiscal Agent has received written direction from the District to expend such remaining funds held in the Delinquency Management Fund for any lawful purposes of the District including, but not limited to, paying costs of public capital improvements or reducing the Special Taxes which are to be levied in the current or the succeeding Fiscal Year upon the properties which are subject to the Special Tax.

Subject to the foregoing transfers and applications in (1) through (3) above, amounts in the Delinquency Management Fund are pledged to the repayment of the District Bonds.

Administrative Expense Fund. The Fiscal Agent Agreement establishes an Administrative Expense Fund held by the Fiscal Agent. The Fiscal Agent will deposit in the Administrative Expense Fund the amount budgeted and levied for Administrative Expenses. The District budgeted Administrative Expenses of \$12,686 in Fiscal Year 2018-19 for Improvement Area No. 3. Administrative Expenses are projected to increase at a rate of 2% annually. Amounts in the Administrative Expense Fund will be withdrawn by the Fiscal Agent and paid to the District or the City or upon its order to pay Administrative Expenses. Annually, at least five (5) days prior to the last day of each Bond Year, the Fiscal Agent will withdraw any amounts then remaining in the Administrative Expense Fund that have not been allocated to pay Administrative Expenses incurred but not yet paid, and which are not otherwise encumbered or expected to be needed for the purposes of such fund, and transfer such amounts to the Special Tax Fund.

Redemption Fund; District Redemption Revenues. The Fiscal Agent Agreement establishes a Redemption Fund (which fund will consist of an “Optional Redemption Account” and a “Special Mandatory Redemption Account”), to the credit of which the District, or the City on behalf of the District, shall deposit, immediately upon receipt, all District Redemption Revenues received by the District or the City on behalf of the District. District Redemption Revenues, as such term is used herein includes: (a) any amounts transferred pursuant to the Indenture for the redemption of the District Bonds or any District Parity Bonds, (b) amounts transferred from the Delinquency Management Fund for the redemption of the District Bonds or any District Parity Bonds, and (c) any amounts deposited for the optional redemption and special mandatory redemption from prepayment of Special Taxes of the District Bonds and any District Parity Bonds pursuant to the Fiscal Agent Agreement.

Moneys in the Redemption Fund will be held by the Fiscal Agent for the benefit of the District and the Owners of the District Bonds, will be disbursed as provided below and, pending any disbursement, will be

subject to a lien in favor of the Owners of the District Bonds. Moneys in the Redemption Fund will be applied as follows:

(1) All prepayments of Special Taxes and amounts transferred from the Delinquency Management Fund for the redemption of District Bonds and District Parity Bonds or transferred from the Authority under the Indenture for the redemption of the District Bonds and District Parity Bonds will be deposited in the Special Mandatory Redemption Account to be used to redeem the District Bonds and District Parity Bonds on the next date for which notice of redemption can timely be given.

(2) Any amounts deposited for the optional redemption of the District Bonds and District Parity Bonds will be deposited into the Optional Redemption Account to be used to redeem the District Bonds and District Parity Bonds on the next date for which notice of redemption can timely be given.

c) No Teeter Plan

Although the County Board of Supervisors has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”) which allows each entity levying secured property taxes in the County to draw on the amount of property taxes levied rather than the amount actually collected, as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code, the District is not included in the County Teeter Plan. Consequently, the District may not draw on the County Tax Loss Reserve Fund in the event of delinquencies in Special Tax payments within Improvement Area No. 3.

d) District Parity Bonds

The Fiscal Agent Agreement authorizes the District to issue on behalf of Improvement Area No. 3 additional bonds secured by Special Taxes on a parity with the District Bonds (the “District Parity Bonds”) but only for the purpose of refunding all or a portion of the District Bonds or District Parity Bonds. For a description of the conditions established in the Fiscal Agent Agreement for the issuance of District Parity Bonds, see APPENDIX A — “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS.”

e) Priority of Lien of Special Taxes

Each installment of the Special Taxes and any interest and penalties thereon, constitutes a lien on the parcel of land on which it was imposed until the same is paid. Such lien is co-equal to and independent of the lien for general taxes and any other community facilities district special taxes. See “THE DISTRICT AND IMPROVEMENT AREA NO. 3 — Direct and Overlapping Debt” herein.

f) Covenants of the District

In the Fiscal Agent Agreement, the District will covenant as follows, among other things:

Punctual Payment. The District will punctually pay or cause to be paid the principal of, and interest and any premium on, each District Bond when and as due in strict conformity with the terms of the Fiscal Agent Agreement and any Supplemental Agreement, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Fiscal Agent Agreement and all Supplemental Agreements and of each District Bond.

Against Encumbrance. The District will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues, or other amounts pledged to each District Bond superior to or on a parity with the pledge and lien created under the Fiscal Agent Agreement for the benefit of the District Bonds, except as permitted by the Fiscal Agent Agreement.

Collection of Special Tax Revenues. The District will comply with all requirements of the Mello-Roos Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

The Treasurer (who is the person acting in the capacity as treasurer or finance director of the City) will affect the levy of the Special Taxes each Fiscal Year on the parcels within Improvement Area No. 3 in accordance with the Rate and Method, such that the computation of the levy is complete before the final date on which the auditor/tax collector of the County (the "Auditor") will accept the transmission of the Special Tax amounts for the parcels within Improvement Area No. 3 for inclusion on the next secured tax roll. Upon the completion of the computation of the amounts of the levy, the Treasurer will prepare or cause to be prepared, and will transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next secured tax roll. The Special Taxes so levied will be payable and be collected in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property, unless otherwise provided by the District.

In the event that the Treasurer determines to levy all or a portion of the Special Taxes by means of direct billing of the property owners of the parcels within Improvement Area No. 3, the Treasurer will, not less than forty-five (45) days prior to each Interest Payment Date, send bills to the owners of such real property located within Improvement Area No. 3 subject to the levy of the Special Taxes for Special Taxes in an aggregate amount necessary to meet the financial obligations of the District due on the next Interest Payment Date, said bills to specify that the amounts so levied will be due and payable not less than thirty (30) days prior to such Interest Payment Date and will be delinquent if not paid when due.

In any event, the Treasurer will fix and levy the amount of Special Taxes within Improvement Area No. 3 required (i) for the payment of principal of and interest on any outstanding District Bonds becoming due and payable during the ensuing year (taking into consideration anticipated delinquencies), and (ii) to pay the Administrative Expenses during such year, all in accordance with the Rate and Method and the Ordinance. The Special Taxes so levied will not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

The District will covenant in the Fiscal Agent Agreement, that to the extent there is a draw upon the Reserve Account pursuant to the Indenture as a result of a delinquency in the collection of Special Taxes or that the Reserve Account is underfunded, the District will cause the Treasurer to effect the next annual levy of Special Taxes in an amount sufficient to replenish such delinquency in addition to those required for the timely collection of Special Tax Revenues under the Fiscal Agent Agreement and in addition to amounts that would be levied if there were no such delinquency; provided, however, the amount of Special Taxes levied will not exceed the maximum permitted by the Mello-Roos Act, the Ordinance and the Rate and Method. At any time, the Fiscal Agent may transfer funds from the Delinquency Management Fund to the Trustee to fund a delinquency in the Reserve Account thereunder.

The Treasurer is authorized to employ consultants to assist in computing the levy of the Special Taxes under the Fiscal Agent Agreement and any reconciliation of amounts levied to amounts received. The fees and expenses of such consultants and the costs and expenses of the Treasurer (including a charge for City or District staff time) in conducting its duties under the Fiscal Agent Agreement will be an Administrative Expense.

Commence Foreclosure Proceedings. The District will review the public records of the County in connection with the collection of the Special Tax not later than October 30 of each year to determine the amount of Special Tax collected in the prior Fiscal Year; and with respect to individual delinquencies, the District will send or cause to be sent a notice of delinquency and a demand for immediate payment thereof to the property owner within 45 days of such determination, and if the District determines that any single property owner subject to the Special Tax is delinquent in the payment of Special Taxes in the aggregate of \$5,000 or more or delinquent in the payment of three consecutive installments of Special Tax or that the delinquent Special Taxes represent

more than 5% of the aggregate Special Taxes levied within Improvement Area No. 3 of the District or if there has been a draw on the funds on deposit in the Reserve Account established under the Indenture, and if the delinquency remains uncured, the District will cause judicial foreclosure proceedings to be filed in the superior court within ninety (90) days of the notice to the property owner against all properties for which the Special Taxes remain delinquent. Prior to commencement of any judicial foreclosure proceedings, the District shall continue with its efforts to collect the delinquent Special Taxes by sending subsequent notice of delinquency and a demand for immediate payment thereof.

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

See APPENDIX A — “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS” for a more complete description of the District’s covenants under the Fiscal Agent Agreement.

[INSERT TRACT MAP]

THE DISTRICT AND IMPROVEMENT AREA NO. 3

General Information

The District was formed in 2015 by the City pursuant to the Mello-Roos Act for the purpose of financing of public improvements to meet the needs of new development within the District. At the time the District was formed, three improvement areas were designated within the District (Improvement Area Nos. 1 through 3). At a special election held on January 13, 2015 within Improvement Area No. 3, the qualified electors within Improvement Area No. 3, which consisted solely of the then owner of land in Improvement Area No. 3, (i) authorized the District to incur bonded indebtedness for Improvement Area No. 3 of up to \$5,000,000 in order to finance certain public facilities and various costs related thereto, (ii) approved the Rate and Method, and (iii) approved the levy of a Special Tax on the taxable property within Improvement Area No. 3 to pay the principal and interest on the District Bonds and annual Administrative Expenses of the District, and to make any replenishments to the reserve account established in connection with the District Bonds.

g) Improvement Area No. 3

Improvement Area No. 3 consists of 31 net developable acres generally located on the southwest corner of Evans Road and Citrus Avenue and is bordered by Citrus Avenue to the north, Sunset Avenue to the south and Evans Road to the east. The Developer's development within Improvement Area No. 3 is planned for 180 single family detached homes representing the third and final phase of the 488-home residential project within the District as a whole being marketed as "Avelina." As of October 1, 2018, within Improvement Area No. 3, the Developer had completed 120 homes, including 112 of which had been conveyed to individual homeowners and eight of which were owned by the Developer (six of which were in escrow). As of such date, the Developer owned 27 homes under construction (20 of which were in escrow) and 33 finished lots (14 of which were in escrow).

All the backbone infrastructure necessary to complete development within Improvement Area No. 3 is complete. Final grading has been completed on all lots within Improvement Area No. 3. Remaining in tract infrastructure for individual lot access and associated gutters and landscape improvements are expected to be completed in conjunction with home construction on the applicable lots. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

All building permits have been issued for the planned homes within Improvement Area No. 3 and all 180 lots will be classified as Developed Property (as defined in the Rate and Method) for the Fiscal Year 2019-20 Special Tax levy.

Water and sewer service to the property within Improvement Area No. 3 is currently supplied by the City and Eastern Municipal Water District, respectively. Electricity is currently supplied by Southern California Edison, gas by The Gas Company and telephone and internet services are offered by a variety of vendors.

Although, like all of Southern California, the land within the District is subject to seismic activity, it is not located within an Alquist-Priolo Earthquake Fault Zone.

A map showing the location of the City and an aerial photograph of Improvement Area No. 3 appear following the Table of Contents, respectively, and information about the ownership and planned development of such property is set forth under the caption "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

Rate and Method of Apportionment

The Rate and Method is contained in APPENDIX B — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." All capitalized terms used in this caption "— Rate and Method of Apportionment" and not defined shall have the meaning set forth in Appendix B.

In general, the Rate and Method imposes a different Maximum Special Tax on Taxable Property within Improvement Area No. 3 depending upon whether such Taxable Property is classified as “Developed Property” (in general, Taxable Property for which a building permit for new construction was issued prior to the April 1 preceding each Fiscal Year), “Undeveloped Property” (in general, Taxable Property that is not “Developed Property” or “Provisional Property”). “Provisional Property” is Public Property, Property Owner Association Property or property that would otherwise be classified as Exempt Property pursuant to the provisions of the Rate and Method, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property within Improvement Area No. 3 below 29.17 acres.

Pursuant to the Rate and Method the Board is required to determine the “Special Tax Requirement” (as defined therein) for each Fiscal Year. The Special Tax Requirement is the amount required in any Fiscal Year to: (i) pay regularly scheduled debt service on all District Bonds; (ii) pay periodic costs on the District Bonds, including but not limited to, credit enhancement and rebate payments on the District Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all District Bonds; (v) accumulate funds to pay directly for acquisition or construction of facilities provided that the inclusion of such amount does not cause an increase in the Special Tax to be levied on Undeveloped Property; and (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (vii) a credit for funds available to reduce the Annual Special Tax levy, as determined by the CFD Administrator pursuant to the Fiscal Agent Agreement.

The Special Tax Requirement is to be satisfied first by levying the Special Tax Proportionately on each Assessor’s Parcel of Developed Property within Improvement Area No. 3 at up to 100% of the applicable Maximum Special Tax rate. If additional moneys are needed to satisfy the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Assessor’s Parcel of Undeveloped Property within Improvement Area No. 3 at up to 100% of the Maximum Special Tax rate for Undeveloped Property. If additional moneys are still needed to satisfy the Special Tax Requirement, the Special Tax that is to be levied on each Assessor’s Parcel of Provisional Property within Improvement Area No. 3 at up to 100% of the Maximum Special Tax rate for Provisional Property. Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor’s Parcel of Residential Property within Improvement Area No. 3 be increased by more than 10% per Fiscal Year as a consequence of a delinquency or default by the owner of any other Assessor’s Parcel within Improvement Area No. 3.

For Fiscal Year 2019-20, the Maximum Special Tax rates for Developed Property within Improvement Area No. 3 will range from \$1,197 for homes with Building Square Footage between 1,951 square feet and 2,150 square feet to \$1,852 for homes with Building Square Footage of more than 3,150 square feet, depending upon the size of the residence. Such Maximum Special Tax rates increase by 2% on July 1 of each Fiscal Year.

The District intends to size the District Bonds so that, assuming no delinquencies in Improvement Area No. 3, the Special Taxes levied in accordance with the Rate and Method will generate in each Fiscal Year beginning in Fiscal Year 2019-20 not less than 110% of debt service payable with respect to the District Bonds and Administrative Expenses in the calendar year that begins in that Fiscal Year. For purposes of sizing the District Bonds, Administrative Expenses are estimated at \$12,286 for Fiscal Year 2019-20, which are expected to escalate at 2% per Fiscal Year. See Table 1 below.

TABLE 1
COMMUNITY FACILITIES DISTRICT NO. 2014-1 (AVELINA)
IMPROVEMENT AREA NO. 3
ESTIMATED FISCAL YEAR 2019-20 SPECIAL TAX LEVY

<i>Land Use Classification</i>	<i>Residential Floor Area (Square Feet)</i>	<i>Maximum Fiscal Year 2019-20 Special Tax Per Unit⁽¹⁾</i>	<i>Estimated Fiscal Year 2019-20 Special Tax Levy Per Unit⁽²⁾</i>	<i>Parcels/Units</i>	<i>Aggregate Estimated Fiscal Year 2019-20 Special Tax Levy</i>	<i>Percent of Total Estimated Fiscal Year 2019-20 Special Tax Levy⁽³⁾</i>
1-Residential	Greater than 3,150 sq. ft.	\$1,852	\$1,852	44	\$ 81,490	29.95%
3-Residential	2,751 to 2,950 sq. ft.	1,608	1,608	27	43,429	15.96
4-Residential	2,551 to 2,750 sq. ft.	1,482	1,482	32	47,419	17.43
5-Residential	2,351 to 2,550 sq. ft.	1,414	1,414	35	49,478	18.18
7-Residential	1,951 to 2,150 sq. ft.	1,197	1,197	42	50,281	18.48
Totals				<u>180</u>	<u>\$ 272,097</u>	<u>100.00%</u>

⁽¹⁾ Based on the Maximum Special Tax rate for Developed Property for Fiscal Year 2019-20.

⁽²⁾ Fiscal Year 2019-20 estimated Special Tax Revenues is equal to the Maximum Special Tax rates to be levied on all 180 parcels of Developed Property.

⁽³⁾ Total may not sum due to rounding.

Source: Willdan Financial Services.

h) Estimated Assessed Value-To-Lien Ratios

The District has not engaged an independent appraiser to provide an opinion concerning the values of the parcels within Improvement Area No. 3 that comprises the Taxable Property. However, the District has determined the assessed values of those parcels, as shown on the Fiscal Year 2018-19 County Assessor's secured equalized roll (as of January 1, 2018). The aggregate assessed value of the Taxable Property within Improvement Area No. 3 as shown on the Fiscal Year 2018-19 County Assessor's secured equalized roll is \$28,460,761. Certain parcels which were completed and conveyed to individual homeowners in 2018 did not have improvement value at the time the Fiscal Year 2018-19 assessed value was determined by the County Assessor. As described herein, during 2018, the Developer completed additional improvements and construction of homes, and conveyed additional homes within Improvement Area No. 3 to individual owners. Therefore, the total assessed value for Fiscal Year 2019-20 within Improvement Area No. 3 as a whole can be expected to increase from the Fiscal Year 2018-19 amount. However, none of the Authority, the City or the District can give any assurance as to any actual increase in assessed values within Improvement Area No. 3 in Fiscal Year 2019-20. Attached to this Official Statement as Appendix G is the list of the 112 homes that the Developer had conveyed to individual homeowners as of October 1, 2018, and their respective sales prices, which total \$43,210,586 in the aggregate. No assurance can be given that such homes can be sold for such prices in the future or that the sales prices of the remaining homes to be developed within Improvement Area No. 3 will not be materially different.

The value of the property within Improvement Area No. 3 is significant to an evaluation of the Bonds because, in the event of a delinquency in the payment of Special Taxes, the District may foreclose only against delinquent parcels. Likewise, the ratio of the value of a parcel to its "share" of the applicable District Bonds is important because it provides an indication of the extent of the relative burden imposed on each parcel by the Special Tax. As indicated above, the aggregate assessed value of the Taxable Property within Improvement Area No. 3 as shown on the Fiscal Year 2018-19 County Assessor's secured equalized roll as of January 1, 2018 is \$28,460,761. The ratio of that value to the \$5,000,000* total principal amount of the District Bonds is approximately 5.69-to-1*. This ratio does not include other overlapping debt within Improvement Area No. 3, which, as of the date of this Official Statement, only includes overlapping general obligation debt. See "— Direct and Overlapping Debt" below. The ratio of the aggregate assessed value of the Taxable Property within Improvement Area No. 3 to the total principal amount of all direct and overlapping general obligation debt for Improvement Area No. 3 (\$5,512,411, inclusive of the District Bonds) is approximately 5.16-to-1*.

As of October 1, 2018, within Improvement Area No. 3, the Developer had completed 120 homes, including 112 of which had been conveyed to individual homeowners and 8 of which were owned by the Developer. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

All building permits have been issued for the planned homes within Improvement Area No. 3 and all 180 lots will be classified as Developed Property (as defined in the Rate and Method) for the Fiscal Year 2019-20 Special Tax levy. Table 2 below sets forth the stratification of value-to-liens of the parcels of Taxable Property within Improvement Area No. 3 for the projected Fiscal Year 2019-20 Special Tax levy, based on Fiscal Year 2018-19 assessed values (based on the County Assessor's secured equalized roll as of January 1, 2018), and such parcels' respective shares of the principal amount of the District Bonds and other direct and overlapping debt within Improvement Area No. 3 (allocated to each parcel based upon its respective share of the total projected Special Tax levy for Fiscal Year 2019-20).

Each of the aforesaid value to lien ratios is for all of the property within Improvement Area No. 3, however, the ratios of the value of individual lots within Improvement Area No. 3 to their respective shares of the principal amount of the District Bonds can be expected to vary substantially depending upon the status of development and selling price thereof. See Tables 2 and 3 below. The apportionment of any future land-secured

* Preliminary, subject to change.

debt to property within Improvement Area No. 3 will be a function of the rate and method of apportionment attributable to each of those community facilities districts.

Assessed values do not necessarily represent market values. Article XIII A of the California Constitution (Proposition 13) defines “full cash value” to mean “the County assessor’s valuation of real property as shown on the 1975/76 roll under ‘full cash value’, or, thereafter, the appraised value of real property when purchased or newly constructed or when a change in ownership has occurred after the 1975 assessment,” subject to exemptions in certain circumstances of property transfer or reconstruction. The “full cash value” is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors. Because of the general limitation to 2% per year in increases in full cash value of properties which remain in the same ownership, the County tax roll does not reflect values uniformly proportional to actual market values. There can be no assurance that the assessed valuations of the properties within Improvement Area No. 3 accurately reflect their respective market values, and the future fair market values of those properties may be lower than their current assessed valuations.

No assurance can be given that, should a delinquent parcel be foreclosed and sold for the amount of the delinquency, any bid will be received for such parcel, or if a bid is received that such bid will be sufficient to pay such delinquent Special Taxes.

**TABLE 2
COMMUNITY FACILITIES DISTRICT NO. 2014-1 (AVELINA)
IMPROVEMENT AREA NO. 3
VALUE-TO-LIEN STRATIFICATION***

<i>Estimated Assessed Value to Lien</i>	<i>No. of Parcels</i>	<i>Projected Fiscal Year 2019-20 Special Tax Levy</i>	<i>Percentage of Projected Fiscal Year 2019-20 Special Tax Levy</i>	<i>2018 Bonds⁽¹⁾</i>	<i>Overlapping Debt Outstanding</i>	<i>Total Direct and Overlapping Debt</i>	<i>Assessed Value⁽²⁾</i>	<i>Estimated Assessed Value to Debt</i>
Less than 3:1 ⁽³⁾	92	\$ 148,215	54.47%	\$ 2,723,569	\$ 279,117	\$ 3,002,687	\$ 6,900,000	2.30:1
3:1 to 5.99:1	29	36,891	13.56	677,909	69,474	747,382	2,588,065	3.46:1
6:1 to 9.99:1	18	27,673	10.17	508,521	52,114	560,635	4,397,634	7.84:1
10:1 or Greater	41	59,317	21.80	1,090,001	111,706	1,201,706	14,575,062	12.13:1
Total	<u>180</u>	<u>\$ 272,097</u>	<u>100.00%</u>	<u>\$ 5,000,000</u>	<u>\$ 512,411</u>	<u>\$ 5,512,411</u>	<u>\$ 28,460,761</u>	<u>5.16:1</u>

* Preliminary, subject to change.

(1) Allocated based on the estimated Fiscal Year 2019-20 Special Tax levy.

(2) Based on assessed values for Fiscal Year 2018-19 as shown on the County Assessor's roll. Certain homes which closed in calendar year 2018 to individual homeowners did not have improvement value for purposes of the Fiscal Year 2018-19 assessed value.

(3) As described above under "—Estimated Assessed Value-To-Lien Ratios," based on development activity, the total assessed value for Fiscal Year 2019-20 within Improvement Area No. 3 as a whole can be expected to increase from the Fiscal Year 2018-19 amount. Based on such projected increase in assessed valuation, the number of parcels with value-to-lien ratios below 3:00-to-1 can be expected to decrease. However, none of the Authority, the City or the District can give any assurance as to any actual increase in assessed values within Improvement Area No. 3 in Fiscal Year 2019-20. See Appendix G attached hereto for a list of the 112 homes that the Developer had conveyed to individual homeowners as of October 1, 2018, and their respective sales prices, which total \$43,210,586 in the aggregate. No assurance can be given that such homes can be sold for such prices in the future or that the sales prices of the remaining homes to be developed within Improvement Area No. 3 will not be materially different.

Source: Willdan Financial Services.

i) Top Taxpayers

All 180 lots comprising the Taxable Property within Improvement Area No. 3 will be classified as Developed Property under the Rate and Method for the Fiscal Year 2019-20 Special Tax levy. Based on ownership status as of October 1, 2018, individual homeowners and the Developer are projected to be responsible for approximately 62.49% and 37.51% of the projected Fiscal Year 2019-20 Special Tax levy, respectively. The District is not aware of any property owner other than the Developer within Improvement Area No. 3 which owns more than one home.

TABLE 3
COMMUNITY FACILITIES DISTRICT NO. 2014-1 (AVELINA)
IMPROVEMENT AREA NO. 3
ESTIMATED VALUE-TO-LIEN RATIOS
ALLOCATED BY OWNERSHIP⁽¹⁾

<i>Property Owner⁽²⁾</i>	<i>Number of Parcels⁽²⁾</i>	<i>Estimated Fiscal Year 2019-20 Special Tax Levy⁽³⁾</i>	<i>Percentage of Estimated 2019-20 Special Tax Levy</i>	<i>2018 Bonds^{(4)*}</i>	<i>Overlapping Debt Outstanding⁽⁴⁾</i>	<i>Total Direct and Overlapping Debt[*]</i>	<i>Assessed Value⁽⁵⁾</i>	<i>Average Assessed Value Per Lot⁽⁶⁾</i>	<i>Estimated Assessed Value to Lien Debt[*]</i>
Developed Property									
Individually-Owned	112	\$ 170,022	62.49%	\$ 3,124,284	\$ 320,183	\$ 3,444,467	\$ 23,257,948	\$ 207,660	6.75:1
Developer-Owned	<u>68</u>	<u>102,076</u>	<u>37.51</u>	<u>1,875,716</u>	<u>192,228</u>	<u>2,067,944</u>	<u>5,202,813</u>	<u>76,512</u>	<u>2.52:1</u>
TOTAL	<u>180</u>	<u>\$ 272,097</u>	<u>100.00%</u>	<u>\$ 5,000,000</u>	<u>\$ 512,411</u>	<u>\$ 5,512,411</u>	<u>\$ 28,460,761</u>	<u>\$ 158,115</u>	<u>5.16:1</u>

* Preliminary, subject to change.

(1) Totals may not sum due to rounding.

(2) Based on ownership status as of October 1, 2018. Pursuant to the Rate and Method, Developed Property, in general, is property for which a building permit for new construction has been issued prior to April 1 preceding the Fiscal Year in which the Special Tax is being levied. All 180 lots comprising the Taxable Property within Improvement Area No. 3 will be classified as Developed Property for the Fiscal Year 2019-20 Special Tax levy.

(3) The District expects to levy Special Taxes in Fiscal Year 2019-20 on Developed Property at the Maximum Special Tax rates under the Rate and Method. Includes estimated Administrative Expenses of \$12,286 for Fiscal Year 2019-20, which amount is expected to increase by 2% per Fiscal Year.

(4) Allocated based on the estimated Fiscal Year 2019-20 Special Tax levy.

(5) Based on assessed values for Fiscal Year 2018-19 as shown on the County Assessor's roll. The Developer has completed additional improvements and homes and has conveyed additional homes within Improvement Area No. 3 to individual owners. The total assessed value for Fiscal Year 2019-20 within Improvement Area No. 3 as a whole can be expected to increase from the Fiscal Year 2018-19 amount. However, none of the Authority, the City or the District can give any assurance as to any actual increase in assessed values within Improvement Area No. 3 in Fiscal Year 2019-20. See Appendix G attached hereto for a list of homes that the Developer had conveyed to individual homeowners as of October 1, 2018, and their respective sales prices, which total \$43,210,586 in the aggregate. No assurance can be given that such homes can be sold for such prices in the future or that the sales prices of the remaining homes to be developed within Improvement Area No. 3 will not be materially different.

(6) Calculated by dividing the "Assessed Value" column by the "Number of Parcels" column. Certain homes which closed in calendar year 2018 to individual homeowners did not have improvement value for purposes of the Fiscal Year 2018-19 assessed value. See footnote (4) above and Appendix G attached hereto.

Source: Willdan Financial Services.

j) Direct and Overlapping Debt

Improvement Area No. 3 is included within the boundaries of numerous overlapping local agencies providing governmental services. Some of these local agencies have outstanding bonds, and/or the authority to issue bonds, payable from taxes or assessments. The existing indebtedness payable from taxes and assessments, as of September 1, 2018, that may be levied upon the property within Improvement Area No. 3 is shown in Table 4 below. In addition to current debt, new community facilities districts and/or special assessment districts could be formed in the future encompassing all or a portion of the property within Improvement Area No. 3; and such districts or the agencies that formed them could issue more bonds and levy additional special taxes or assessments.

**TABLE 4
COMMUNITY FACILITIES DISTRICT NO. 2014-1 (AVELINA)
IMPROVEMENT AREA NO. 3
SECURED PROPERTY TAX ROLL AND DIRECT AND OVERLAPPING DEBT**

2018-19 Assessed Valuation: \$28,460,761

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt</u>
Metropolitan Water District General Obligation Bonds	0.001% ⁽¹⁾	\$ 308
Riverside County Flood Control and Water Conservation District Promissory Notes	0.055	8,023 ⁽²⁾
Mt. San Jacinto Community College District General Obligation Bonds	0.025	43,469
Riverside Community College District General Obligation Bonds	0.005	12,289
Val Verde Unified School District General Obligation Bonds	0.058	69,112
Perris Union High School District General Obligation Bonds	0.136	140,325
Perris School District General Obligation Bonds	0.837	238,885
City of Perris Community Facilities District No. 2014-1, I.A. No. 3	100.000	-⁽³⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$512,411
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	0.010%	\$ 81,540
Riverside County Pension Obligation Bonds	0.010	26,723
Val Verde Unified School District Certificates of Participation	0.058	37,585
Perris Union High School District General Fund Obligations	0.136	10,014
Perris School District Certificates of Participation	0.837	<u>55,817</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$211,679
Less: Riverside County supported obligations		<u>336</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$211,343
 GROSS COMBINED TOTAL DEBT		 \$724,090⁽⁴⁾
NET COMBINED TOTAL DEBT		\$723,754

Ratios to 2018-19 Assessed Valuation:

Direct Debt (\$0).....	0.00%
Total Overlapping Tax and Assessment Debt.....	1.80%
Gross Combined Total Debt	2.54%
Net Combined Total Debt.....	2.54%

⁽¹⁾ Reflects Fiscal Year 2017-18 ad valorem rate.

⁽²⁾ 2015 Negotiable Promissory Notes secured by the District's share of 1% Ad Valorem property tax revenues collected on properties within Zone 4. The Notes are not secured by a direct property tax lien.

⁽³⁾ Excludes the District Bonds described herein.

⁽⁴⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

Annual debt service for the District Bonds has been structured so that, assuming no delinquencies, Special Taxes levied at the Maximum Special Tax rates on 180 parcels of Developed Property will generate in

each Fiscal Year not less than 110% of debt service payable and Administrative Expenses, with respect to the District Bonds in the calendar year that begins in that Fiscal Year.

The following table sets forth the estimated total tax obligation for Fiscal Year 2018-19 of a residential property in Improvement Area No. 3, using the median assessed value for parcels with improvement value for Fiscal Year 2018-19, the estimated Fiscal Year 2019-20 Special Tax levy, and the actual Fiscal Year 2018-19 levy for all other overlapping districts. Based on the foregoing assumptions, the estimated average total Fiscal Year 2018-19 effective tax rate for Developed Property in Improvement Area No. 3 is approximately 1.87% of the median assessed value for Fiscal Year 2018-19.

**TABLE 5
COMMUNITY FACILITIES DISTRICT NO. 2014-1 (AVELINA)
IMPROVEMENT AREA NO. 3
FISCAL YEAR 2018-19 TAX OBLIGATION
FOR INDIVIDUALLY OWNED SAMPLE DEVELOPED PROPERTY**

ASSESSED VALUATION AND PROPERTY TAXES			
Assessed Value ⁽¹⁾		\$341,390	
		<i>Percent of Assessed Value</i>	<i>Projected Amount</i>
Ad Valorem Property Taxes		1.1267%	\$ 3,846.32
Assessment, Special Taxes & Parcel Charges⁽²⁾			
Maintenance District 84-1 ⁽³⁾			\$ 46.28
Landscape Maintenance District 1			281.38
Flood Control Maintenance District 1 ⁽⁴⁾			461.22
Metropolitan Water District Standby Charge			6.94
Flood Control Stormwater/Cleanwater			3.74
Eastern Municipal Water District Standby Combined Charge			26.00
City of Perris CFD 2001-3 (Public Safety)			<u>343.18</u>
Subtotal			\$ 1,168.74
CFD 2014-1 IA No. 3			\$ 1,385.92
TOTAL PROPERTY TAXES AND ASSESSMENTS			<u>\$ 6,400.98</u>
ESTIMATED EFFECTIVE TAX RATE			1.87%

(1) Based on median Fiscal Year 2018-19 assessed value. Sample building floor size shown is 2,392 square feet.
(2) Levies assume a lot size of less than one acre.
(3) The City's Maintenance District 84-1 levy will commence once the applicable facilities are accepted by the City. Such levy is expected to commence in Fiscal Year 2019-20.
(4) Based on the actual Fiscal Year 2018-19 levy of \$461.22. The maximum levy amount for Fiscal Year 2018-29 is \$768.69.
Sources: Willdan Financial Services.

k) Delinquency History

Table 6 below sets forth the Special Tax levy, collections and delinquency rates in Improvement Area No. 3 for Fiscal Year 2016-17 and Fiscal Year 2017-18.

**TABLE 6
COMMUNITY FACILITIES DISTRICT NO. 2014-1 (AVELINA)
IMPROVEMENT AREA NO. 3
SPECIAL TAXES LEVIES, DELINQUENCIES AND DELINQUENCY RATES**

<i>Fiscal Year</i>	<i>Amount of Special Taxes Levied</i>	<i>Parcels Levied</i>	<i>Delinquencies as of June 30 of Fiscal Year</i>			<i>Delinquencies as of September 7, 2018</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2016-17	\$23,962	18	0	0	0.00	0	0	0.00%
2017-18 ⁽¹⁾	24,441	18	1	\$1,151	4.71%	1	\$1,151	4.71

⁽¹⁾ Delinquent parcel is currently on a payment plan with the County of Riverside.
Source: Willdan Financial Services.

PROPERTY OWNERSHIP AND THE DEVELOPMENT

Representatives of the Developer have provided the information in this section regarding the Developer and its development in Improvement Area No. 3 of the District. None of the Underwriter, the Authority, the City or the 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. 3 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 District Bonds, the payment of which secure the Bonds, are recourse obligations of the Developer or any other property owner in Improvement Area No. 3. A property owner may sell or otherwise dispose of land within Improvement Area No. 3 or a development or any interest therein at any time.

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

1) The Developer

Centex Homes, a Nevada general partnership, is developing the approximately 31 net developable acres within Improvement Area No. 3 of the District. The Developer is an indirect wholly-owned subsidiary of PulteGroup, Inc., a Michigan corporation (“PulteGroup”), a publicly-held holding company based in Atlanta, Georgia whose subsidiaries engage primarily in the homebuilding business. The company also has mortgage banking operations, conducted principally through Pulte Mortgage LLC and title operations. PulteGroup is a Michigan corporation organized in 1956 whose common stock trades on the New York Stock Exchange under the symbol “PHM.”

Through its brand portfolio which includes the Developer, Pulte Homes, Del Webb, DiVosta Homes, and John Weiland Homes and Neighborhoods, PulteGroup and its subsidiaries offer a wide variety of home

designs, including single-family detached, townhouses, condominiums, and duplexes at different prices and with varying levels of options and amenities to the company's major customer groups: first-time, move-up, and active adult. Over its history, PulteGroup and its subsidiaries have delivered over 680,000 homes. As of December 31, 2017, PulteGroup, through its subsidiaries, conducted operations in approximately 49 markets located throughout 25 states.

PulteGroup is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information, including financial statements, with the SEC. Such filings, particularly PulteGroup's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, as filed by PulteGroup with the U.S. Securities and Exchange Commission (SEC) on February 7, 2018, set forth certain data relative to the consolidated results of operations and financial position of PulteGroup 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 PulteGroup. The address of such Internet web site is www.sec.gov. In addition, the aforementioned material may also be inspected at the offices of the NYSE at 20 Broad Street, New York, NY 10005. All documents subsequently filed by PulteGroup 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 PulteGroup's Annual Report and each of its other quarterly and current reports, including any amendments, are available from PulteGroup's website at www.pultegroup.com.

The foregoing Internet addresses and references to filings with the SEC are included for reference only, and the information on these websites and on file with the SEC are not a part of this Official Statement and are not incorporated by reference into this Official Statement. Investors should not rely on the information and financial statements contained on these websites in evaluating whether to buy, hold or sell the Bonds.

m) Development Plan

Development within Improvement Area No. 3. Improvement Area No. 3 consists of 31 net developable acres located on the southwest corner of Evans Road and Citrus Avenue and is generally bordered by Citrus Avenue to the north, Sunset Avenue to the south and Evans Road to the east. The proposed development by the Developer within Improvement Area No. 3 consists of 180 single family homes. All of the property within Improvement Area No. 3 is within final Tract Map Nos. 30850 and 30850-4 and is a portion of a development being marketed by the Developer as "Avelina." As of October 1, 2018, within Improvement Area No. 3, the Developer had completed 120 homes, including 112 of which had been conveyed to individual homeowners and eight of which were owned by the Developer. As of such date, the Developer owned 27 homes under construction (20 of which were in escrow) and 33 finished lots (14 of which were in escrow).

Final grading has been completed on all lots within Improvement Area No. 3. Remaining in tract infrastructure for individual lot access and associated gutters and landscape improvements are expected to be completed in conjunction with home construction on the applicable lots.

All the backbone infrastructure necessary to complete development within Improvement Area No. 3 is complete. The Developer expects to complete home construction and convey all homes within Improvement Area No. 3 to individual homeowners by the end of the second quarter of 2019.

Except as described in this Official Statement, including within the section entitled "SPECIAL RISK FACTORS," and except for those consents, permits, authorizations, certifications and approvals of governmental entities required in the ordinary course of development, the Developer has no actual knowledge of any

impediment which could have a material adverse effect on its ability to complete the planned development of its property within Improvement Area No. 3 according to the budget and timeframe described herein.

The portion of the Avelina project within Improvement Area No. 3 includes five floor plans. The following table provides the number of proposed units within each floor plan, the status of development and sales within Improvement Area No. 3 and the base sales prices of homes within the Avelina project, as of October 1, 2018.

**Avelina Project – Improvement Area No. 3
(As of October 1, 2018)**

<i>Plan</i>	<i>Square Feet</i>	<i>Base Sales Price⁽¹⁾</i>	<i>Closed Homes as of October 1, 2018</i>	<i>Homes Under Construction</i>	<i>Completed Unclosed Homes</i>	<i>Finished Lots</i>	<i>Totals</i>
1	1,959	\$348,990	26	7	2	7	42
2	2,392	364,990	21	5	0	9	35
3	2,688	381,990	19	4	4	5	32
4	2,816	385,990	17	4	1	5	27
5	3,286	410,990	<u>29</u>	<u>7</u>	<u>1</u>	<u>7</u>	<u>44</u>
Total			112	27	8	33	180

⁽¹⁾ Reflects base sales prices of homes within the Avelina project as of October 1, 2018. Base sales prices are exclusive of any premiums, options, upgrades, incentives and any selling concession or price reductions currently being offered. Source: The Developer.

Attached to this Official Statement as Appendix G is the list of the 112 homes that the Developer had conveyed to individual homeowners as of October 1, 2018, and their respective sales prices. No assurance can be given that such homes can be sold for such prices in the future or that the sales prices of the remaining homes to be developed within Improvement Area No. 3 will not be materially different.

n) Financing Plan

As of October 1, 2018, the Developer had expended approximately \$4,760,000 in acquiring its land in Improvement Area No. 3 and approximately \$36,472,000 in land improvements, home construction costs and other development, marketing and sales costs (exclusive of internal financing repayment). The Developer expects the remaining land improvements, home construction costs and other development, marketing and sales costs within Improvement Area No. 3 to be approximately \$7,305,000.

To date, the Developer has financed its land acquisition and various site development and home construction costs related to its property in Improvement Area No. 3 with cash generated from its home building operations and, where necessary, internal corporate financing from its parent entity, PulteGroup. The Developer expects to finance its remaining site development and home construction costs in Improvement Area No. 3 with a combination of cash generated from its home building operations (including revenues generated from home sales in Improvement Area No. 3) and, where necessary, internal corporate financing from its parent entity, PulteGroup.

Notwithstanding the internal corporate financing from its parent entity, PulteGroup, and revenues generated from home sales in Improvement Area No. 3, there can be no assurance that the Developer will have timely access to the sources of funds which will be necessary to complete the remaining proposed development in Improvement Area No. 3. Neither the Developer nor its parent has a legal obligation to Bond Owners to make any such funds available to fund the remaining development costs or to pay *ad valorem* property taxes or Special Taxes related to the Developer's property in Improvement Area No. 3. Many factors beyond the Developer's

control, or a decision by the Developer to alter its current plans, may cause the actual sources and uses to differ from the projections. See “SPECIAL RISK FACTORS – Failure to Develop Remaining Homes” herein.

If and to the extent that internal funding, including but not limited to home sales revenues and corporate financing from the Developer’s parent entity, PulteGroup, is inadequate to pay the costs to complete the planned development by the Developer within Improvement Area No. 3 and other financing by the Developer is not put into place, there could be a shortfall in the funds required to complete the proposed development by the Developer in Improvement Area No. 3 and the remaining portions of the Developer’s project in Improvement Area No. 3 may not be developed. Neither the Developer nor its parent has a legal obligation to Bond Owners to make any such funds available to fund the remaining development costs or to pay ad valorem property taxes or Special Taxes related to the Developer’s property in Improvement Area No. 3. Many factors beyond the Developer’s control, or a decision by the Developer to alter its current plans, may cause the actual sources and uses to differ.

Based on the ownership information status as of October 1, 2018 within Improvement Area No. 3, the Special Tax Consultant estimates that the Developer will be responsible for approximately 37.51% of the projected Fiscal Year 2019-20 Special Tax levy. See Table 3 above.

o) History of Property Tax Payments; Loan Defaults; Litigation; Bankruptcy

The Developer has represented to the District and Authority in a Letter of Representations (the “Letter of Representations”) as follows:

1. It is the policy of the Developer to pay all taxes applicable to property owned by it when due in the absence of a bona fide dispute as to the amount due. However, as a large, nation-wide developer of residential projects, the Developer cannot represent with assurance that it has consistently complied with this policy. Nevertheless, to the Actual Knowledge of the Developer (defined below), the Developer has not, within the last five years with respect to property owned by the Developer in California during its period of ownership (i) intentionally failed to pay when due special taxes or assessments that secure the payment of bonds and that were applicable to such property (the “Special Taxes or Assessments”), (ii) had any such property go to foreclosure for failure to pay such Special Taxes or Assessments, or (iii) in the case of any delinquencies in the payment of any such Special Taxes or Assessments, ever failed to cure such delinquencies within forty-five days of becoming aware thereof.

2. Except as described herein, there is no material indebtedness of the Developer or its Affiliates (defined below) that is secured by an interest in the Property (defined below). Neither the Developer nor, to the Actual Knowledge of the Developer, its indirect parent (PulteGroup) is in payment default on any loans, lines of credit or other obligation to repay borrowed money related to the Developer’s development in the District or its other projects, which payment default could reasonably be expected to materially and adversely affect the Developer’s ability to complete the development of the Property as described herein or to pay the applicable Special Tax obligations on the Property owned by it when due.

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

4. To the Actual Knowledge of the Developer, Affiliates of the Developer are able to pay their bills as they become due and no legal proceedings are pending against any Affiliates of the Developer (with proper service of process to such Affiliate having been accomplished) or to the Actual Knowledge of the Developer, threatened in writing in which Affiliates of the Developer may be adjudicated as bankrupt or

discharged from any or all of their debts or obligations, or granted an extension of time to pay their debts or obligations, or be allowed to reorganize or readjust their debts or obligations, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

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

“Affiliate” means, with respect to the Developer, any other Person (i) who directly, or indirectly through one or more intermediaries, is currently controlling, controlled by or under common control with the Developer, and (ii) for whom information, including financial information or operating data, concerning such Person is material to an evaluation of Improvement Area No. 3, the District Bonds and the Bonds (i.e., information relevant to (a) the Developer’s development plans with respect to its Property and the payment of its Special Taxes, or (b) such Person’s assets or funds that would materially affect the Developer’s ability to develop its Property as described herein or to pay its Special Taxes).

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

“Actual Knowledge of the Developer” shall mean the knowledge that the authorized officer or representative of the Developer (the “Authorized Officer”) signing the Letter of Representations has as of the date of the Letter of Representations or has obtained from (i) interviews with such current officers and responsible employees of the Developer and its Affiliates as the Authorized Officer has determined are likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth in the Letter of Representations and/or (ii) review of documents reasonably available to the Authorized Officer and which the Authorized Officer has deemed necessary for the Authorized Officer to sign the Letter of Representations. The Authorized Officer has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of the Developer’s current business and operations. The Developer notes that its indirect parent PulteGroup, including its subsidiaries such as the Developer and its Affiliates, have undergone several restructurings, including office closures and division consolidations. Individuals who are no longer with the various entities have not been contacted.

“Property” means the taxable property within Improvement Area No. 3 held in the name of the Developer.

Neither Developer nor its indirect parent is under any legal obligation of any kind to expend funds for the development of the property within Improvement Area No. 3. See “SPECIAL RISK FACTORS — Failure to Develop Remaining Homes” herein.

6) SPECIAL RISK FACTORS

The purchase of the Bonds involves certain investment risks which are discussed throughout this Official Statement. Each prospective investor should make an independent evaluation of all information presented in this Official Statement in order to make an informed investment decision. Particular attention should be given to the factors described below which, among others, could affect the payment of debt service on the Bonds.

a) Risks of Real Estate Secured Investments Generally

Because the timely payment of debt service on the Bonds will be dependent upon the timely payment of the District Bonds and the timely payment of the District Bonds will be dependent upon the timely payment

of Special Taxes, which are secured ultimately by the Taxable Property within Improvement Area No. 3, the Bond Owners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in and around the vicinity of Improvement Area No. 3, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; (iii) natural disasters (including, without limitation, earthquakes and floods), which may result in uninsured losses; (iv) adverse changes in local market conditions; and (v) increased delinquencies due to rising mortgage costs and other factors.

b) Tax Cuts and Jobs Act

H.R. 1 of the 115th U.S. Congress, known as the “Tax Cuts and Jobs Act,” was enacted into law on December 22, 2017 (the “Tax Act”). The Tax Act makes significant changes to many aspects of the Internal Revenue Code of 1986 (the “Code”). For example, the Tax Act reduces the amount of mortgage interest expense and state and local income tax and property tax expense that individuals may deduct from their gross income for federal income tax purposes. These changes could increase the cost of home ownership within Improvement Area No. 3 and could slow the pace of home sales by the Developer or result in sales price reductions from the current expected levels. However, the District cannot predict the effect that the Tax Act may have on the cost of home ownership or the price of homes in Improvement Area No. 3, the pace at which homes in Improvement Area No. 3 are sold to individual homeowners, or the ability or willingness of homeowners to pay Special Taxes or property taxes.

c) Concentration of Ownership

Based on the ownership and development status of the taxable property within Improvement Area No. 3 as of October 1, 2018 (and assuming no further sales to individual homeowners), the estimated Special Tax levy required for Fiscal Year 2019-20 would result in approximately 62.49% of the Special Taxes being paid by individual homeowners and approximately 37.51% being paid by the Developer. Until the construction and sale of all homes to individual homeowners, the receipt of the Special Taxes is dependent, in part, on the willingness and the ability of the Developer or its successors to pay the Special Taxes when due. Failure of the Developer or its successors to pay the annual Special Taxes prior to delinquency could be a material factor in a default in payments of the principal of, and interest on, the District Bonds and the Bonds, when due. See the caption “— Failure to Develop Remaining Homes.”

No assurance can be given that the Developer, or its successors will complete the remaining construction and development in Improvement Area No. 3 in the timeframe or for estimated costs predicted herein or that they will complete it at all. See the caption “— Failure to Develop Remaining Homes.” No assurance can be given that the individual homeowners, the Developer or its successors will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See the caption “— Bankruptcy and Foreclosure” for a discussion of certain limitations on the District’s ability to pursue judicial proceedings with respect to delinquent parcels.

d) Failure to Develop Remaining Homes

Development of property within Improvement Area No. 3 may be subject to unexpected delays, disruptions and changes which may affect the willingness and ability of the Developer to pay the Special Taxes when due. Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. See the caption “PROPERTY OWNERSHIP AND THE DEVELOPMENT” for a discussion of the remaining homes to be completed and sold within Improvement Area No. 3.

No assurance can be given that the remaining proposed residential development will be partially or fully completed, and for purposes of evaluating the investment quality of the Bonds, prospective purchasers should consider the possibility that such parcels will remain vacant and only partially improved. See the caption "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

Undeveloped or partially developed property is inherently less valuable than developed property and provides less security to the Bond Owners should it be necessary for the District to foreclose on the property due to the nonpayment of Special Taxes. Substantial delays in the completion of the development due to litigation or other causes may reduce the value of the property within Improvement Area No. 3 and increase the length of time during which Special Taxes will be payable from partially developed property, and may affect the willingness and ability of the owners of property within Improvement Area No. 3 to pay the Special Taxes prior to delinquency.

There can be no assurance that property development within Improvement Area No. 3 will not be adversely affected by a future deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, an increase in mortgage interest rates, the income tax treatment of real property ownership, or the national economy. In that event, there could be a default in the payment of principal of, and interest on, the District Bonds and, in turn, the Bonds, when due.

As of October 1, 2018, the Developer owned 27 homes under construction and 33 finished lots. Undeveloped property is less valuable per unit of area than developed property, especially if there are no plans to develop such property or if there are severe restrictions on the development of such property. The undeveloped property also provides less security for the District Bonds and ultimately, the Bond Owners should it be necessary for the District to foreclose on undeveloped property due to the nonpayment of the Special Taxes.

e) The Bonds are Limited Obligations of the Authority

The Bonds are limited obligations of the Authority payable only from amounts pledged under the Indenture, which consist primarily of payments made to the Trustee on the District Bonds and amounts in the Reserve Account, the Cash Flow Management Fund and the Redemption Fund. Funds for the payment of the principal of and the interest on the District Bonds are derived only from payments of Special Taxes. The amount of Special Taxes that are collected could be insufficient to pay principal of and interest on the District Bonds due to non-payment of the Special Taxes levied or due to insufficient proceeds received from a judicial foreclosure sale of land within Improvement Area No. 3 following delinquency. The District's legal obligation with respect to any delinquent Special Taxes is limited to the institution of judicial foreclosure proceedings under certain circumstances with respect to any parcels for which Special Taxes is delinquent. The Bonds cannot be accelerated in the event of any default.

Failure by owners of the parcels within Improvement Area No. 3 to pay Special Tax installments when due, delay in foreclosure proceedings, or the inability of the District to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent installments of Special Taxes levied against such parcels may result in the inability of the District to make full or timely payments of debt service on the District Bonds, which may, in turn, result in the depletion of the Reserve Account and the Cash Flow Management Fund, if funded, and the inability of the Authority to make full or timely payment on the Bonds. No amounts will be on deposit in the Cash Flow Management Fund upon the issuance of the Bonds.

f) No Obligation of City

The District Bonds and the interest thereon, and in turn, the Bonds, are not payable from the general funds of the City. Except with respect to the Special Taxes, neither the credit nor the taxing power of the District or the City is pledged for the payment of the District Bonds or the interest thereon, and except to compel a levy of the Special Taxes securing the District Bonds, no Owner of the Bonds may compel the exercise of any taxing power by the District or the City or force the forfeiture of any property of the City or the District. The Bonds

are not a debt of the City or the District or a legal or equitable pledge, charge, lien or encumbrance upon any of the City's or the District's property or upon any of the City's or the District's income, receipts or revenues, except the Revenues and other amounts pledged under the Indenture.

g) Property Values

The value of the property within Improvement Area No. 3 is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Special Taxes, the District's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods, stricter land use regulations or other events will adversely impact the security underlying the Special Taxes. See "THE DISTRICT AND IMPROVEMENT AREA NO. 3 — Estimated Assessed Value-to-Lien Ratios."

No assurance can be given that any bid will be received for a parcel with delinquent Special Taxes offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. See "SECURITY FOR THE DISTRICT BONDS — Special Tax Revenues and District Redemption Revenues" and "— Covenants of the District." As shown on Table 2, based on Fiscal Year 2018-19 assessed values, approximately 54.47% of the Fiscal Year 2019-20 Special Taxes is projected to be levied on property with an assessed value-to-lien ratio of less than 3-to-1. However, certain parcels which were completed and conveyed to individual homeowners in 2018 did not have improvement value at the time the Fiscal Year 2018-19 assessed value was determined by the County Assessor. Therefore, the share of the Fiscal Year 2019-20 Special Tax levy on parcels with assessed value-to-lien ratios of less than 3-to-1 can be expected to decrease from the amount shown on Table 2.

See "THE DISTRICT AND IMPROVEMENT AREA NO. 3 — Estimated Assessed Value-to-Lien Ratios."

h) Natural Disasters

The land within Improvement Area No. 3, like all California communities, may be subject to unpredictable seismic activity, fires, floods or other natural disasters. Southern California is a seismically active area. Seismic activity represents a potential risk for damage to buildings, roads and property within Improvement Area No. 3. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event. The property within Improvement Area No. 3 is not located in an Alquist Priolo Earthquake Study Zone and is not located within one-half mile of an active earthquake fault. Additionally, Improvement Area No. 3 is not located in a flood plain area.

In recent years, wildfires have caused extensive damage throughout the State, including within the County. Certain of these fires have burned thousands of acres and destroyed hundreds and in some cases thousands of homes. In some instances entire neighborhoods have been destroyed. Several fires which occurred in 2017 and 2018 damaged or destroyed property in areas that were not previously considered to be at risk from such events. The property within Improvement Area No. 3 is not located in an area which the Department of Forestry and Fire Protection of the State of California has designated as a very high fire hazard severity zone. However, there is a risk of residential property within Improvement Area No. 3 being destroyed by wildfires and no assurance can be given as to the severity or frequency of wildfires within the vicinity of Improvement Area No. 3.

In the event of a severe earthquake, fire, flood or other natural disaster, there may be significant damage to both property and infrastructure in Improvement Area No. 3. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due. In addition, the value of land in Improvement Area No. 3 could be diminished in the aftermath of such a natural disaster, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes.

i) Hazardous Substances

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

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

The value of the taxable property within Improvement Area No. 3, as set forth in the various tables in the Official Statement, does not reflect the presence of any hazardous substance or the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the property. The District has not independently verified, but is not aware, that any owner (or operator) of any of the parcels within Improvement Area No. 3 has such a current liability with respect to any such parcel. The Developer represents that it is not aware of any substances currently classified as hazardous by the federal government or the State of California located on its property within Improvement Area No. 3. However, it is possible that such liabilities do currently exist and that the District and the Developer are not aware of them.

j) Parity Taxes and Special Assessments

Property within Improvement Area No. 3 is subject to taxes and other charges levied by several other public agencies. See the discussion of direct and overlapping indebtedness under the heading “THE DISTRICT AND IMPROVEMENT AREA NO. 3.”

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with the lien of all special taxes and special assessments levied by other agencies and is co-equal to and independent of the lien for general *ad valorem* property taxes regardless of when they are imposed upon the same property. The Special Taxes have priority over all existing and future private liens imposed on the property. See “— Bankruptcy and Foreclosure” below.

None of the Authority, the District or the City has control over the ability of other entities and districts to issue indebtedness secured by special taxes, *ad valorem* taxes or assessments payable from all or a portion of the property within Improvement Area No. 3. In addition, the landowners within Improvement Area No. 3 may, without the consent or knowledge of the Authority, the District or the City, petition other public agencies to issue public indebtedness secured by special taxes, *ad valorem* taxes or assessments. Any such special taxes, *ad valorem* taxes or assessments may have a lien on such property on a parity with the Special Taxes and could reduce the estimated value-to-lien ratios for property within Improvement Area No. 3 described herein.

k) Payment of the Special Tax is not a Personal Obligation of the Owners

An owner of a taxable parcel is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation which is secured only by a lien against the taxable parcel. If the proceeds received from the sale of a taxable parcel following a Special Tax delinquency are not sufficient, taking into account other liens imposed by public agencies, to pay the full amount of the Special Tax delinquency, the District has no recourse against the owner of the parcel.

l) Disclosures to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax may be affected by whether or not the owner was given due notice of the Special Tax authorization at the time the owner purchased the parcel, was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate and the risk of such a levy and, at the time of such a levy, has the ability to pay it as well as pay other expenses and obligations. The City has caused a notice of the Special Tax that may be levied against the taxable parcels in Improvement Area No. 3 to be recorded in the Office of the Recorder for the County. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property within Improvement Area No. 3 or lending of money thereon.

The Mello-Roos 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.

m) Special Tax Delinquencies

Special Taxes are the primary source for the repayment of the District Bonds, which are the only source of Revenues to repay the Bonds. Delinquencies could result in a draw on the Delinquency Management Fund, the Cash Flow Management Fund and the Reserve Account and, if such funds and accounts were depleted, in a default in payment on the Bonds.

Under provisions of the Mello-Roos Act, the Special Taxes, from which funds necessary for the payment of principal of and interest on the District Bonds and, thus, the Bonds are derived, are customarily billed to the properties within Improvement Area No. 3 on the *ad valorem* property tax bills sent by the County to owners of such properties. The Mello-Roos Act currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do *ad valorem* property tax installments.

As described under the heading “THE DISTRICT AND IMPROVEMENT AREA NO. 3 — Delinquency History,” as of September 5, 2018, there were \$1,151 in delinquent Special Taxes for Fiscal Year 2017-18 levy, representing 4.71% of the Fiscal Year 2017-18 Special Tax levy.

See “SECURITY FOR THE DISTRICT BONDS — Covenants of the District — *Commence Foreclosure Proceedings*,” for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Fiscal Agent Agreement, in the event of delinquencies in the payment of Special Taxes. See “— Bankruptcy and Foreclosure” below for a discussion of the policy of the Federal Deposit Insurance Corporation (the “FDIC”) regarding the payment of special taxes and assessment and limitations on the District’s ability to foreclose on the lien of the Special Taxes in certain circumstances.

n) Insufficiency of Special Taxes

Notwithstanding that the maximum Special Taxes that may be levied in Improvement Area No. 3 exceeds debt service due on the District Bonds, the Special Taxes collected could be inadequate to make timely payment of debt service either because of nonpayment or because property becomes exempt from taxation.

The Rate and Method governing the levy of the Special Taxes within Improvement Area No. 3 expressly exempts up to a specified number of acres of property owned by public entities, homeowner associations, churches and other specified owners. If for any reason property within Improvement Area No. 3 becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government, another public agency or other organization determined to be exempt, subject to the limitations of the maximum authorized rates, the Special Tax will be reallocated to the remaining taxable properties within Improvement Area No. 3. This could result in certain owners of property paying a greater amount of the Special Tax and could have an adverse impact upon the ability and willingness of the owners of such property to pay the Special Tax when due.

The Mello-Roos Act provides that, if any property within Improvement Area No. 3 not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Mello-Roos Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Mello-Roos Act have not been tested in the courts. Due to problems of collecting taxes from public agencies, if a substantial portion of land within Improvement Area No. 3 became exempt from the Special Tax because of public ownership, or otherwise, the maximum Special Taxes which could be levied upon the remaining taxable property therein might not be sufficient to pay principal of and interest on the related District Bonds when due and a default could occur with respect to the payment of such principal and interest, and, in turn, a default could occur in the payment of the principal and interest on the Bonds.

o) Priority Administrative Expenses

Administrative Expenses are paid prior to the payment of debt service on the District Bonds. The District budgeted Administrative Expenses of \$12,686 for Improvement Area No. 3 in Fiscal Year 2018-19. Administrative Expenses for Improvement Area No. 3 are projected to increase a rate of 2% per fiscal year. Administrative Expenses in each fiscal year may be greater than budgeted, which could result in a draw on the Delinquency Management Fund, the Cash Flow Management Fund and the Reserve Account and, if such funds and accounts were depleted, in a default in payment on the Bonds.

p) FDIC/Federal Government Interests in Properties

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

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

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within Improvement Area No. 3 but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association ("FNMA") is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

The District has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within Improvement Area No. 3, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

FDIC. In the event that any financial institution making any loan which is secured by real property within Improvement Area No. 3 is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the District to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

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

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within Improvement Area No. 3 in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Delinquency Management Fund, the Reserve Account or the Cash Flow Management Fund, and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the District Bonds and, in turn, the Bonds.

q) Bankruptcy and Foreclosure

In the event of a delinquency in the payment of the Special Taxes, the District, under certain circumstances, is required to commence enforcement proceedings as described under the heading “SECURITY FOR THE DISTRICT BONDS — Covenants of the District.” However, prosecution of such proceedings could be delayed due to crowded local court calendars, dilatory legal tactics, or bankruptcy. It is also possible that the District will be unable to realize proceeds in an amount sufficient to pay the applicable delinquency. Moreover, the ability of the District to commence and prosecute enforcement proceedings may be limited by bankruptcy, insolvency and other laws generally affecting creditors’ rights (such as the Soldiers’ and Sailors’ Relief Act of 1940) and by the laws of the State relating to judicial and non-judicial foreclosure. Although bankruptcy proceedings would not cause the liens of the Special Taxes to become extinguished, bankruptcy of a property owner could result in a delay in the enforcement proceedings because federal bankruptcy laws provide for an automatic stay of foreclosure and tax sale proceedings. Any such delay could increase the likelihood of delay or default in payment of the principal of and interest on the District Bonds. The various legal opinions delivered in connection with the issuance of the Bonds, including Bond Counsel’s approving legal opinion, are qualified as to the enforceability of the Bonds, the Indenture, the District Bonds and the Fiscal Agent Agreement by reference to bankruptcy, reorganization, moratorium, insolvency and other laws affecting the rights of creditors generally or against public corporations such as the Authority and the District.

r) No Acceleration Provision

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture. Pursuant to the Indenture, an Owner of the Bonds is given the right for the equal benefit and protection of all owners similarly situated to pursue certain remedies described in APPENDIX A — “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS — SUMMARY OF THE INDENTURE — Events of Default and Remedies” following the occurrence of an Event of Default.

s) Limitations on Remedies

Remedies available to the Owners of the Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditors’ rights, by equitable principles, by the exercise of judicial discretion and by limitations on remedies against public agencies in the State. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners of the Bonds.

t) Loss of Tax Exemption

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

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 Beneficial Owners from realizing the full current

benefit of the tax status of such interest. The introduction or enactment of legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

It is possible that subsequent to the issuance of the Bonds there might be federal, State, or local statutory changes (or judicial or regulatory interpretations of federal, State, or local law) that affect the federal, State, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur. See “LEGAL MATTERS — Tax Matters” below.

u) 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 the Bonds can be sold for any particular price. Although the District has committed to provide certain financial information and operating data on an annual basis, there can be no assurance that such information will be available to Beneficial Owners of the Bonds on a timely basis. The failure to provide the required annual 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 a credit rating, or 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.

v) Proposition 218

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

Among other things, Section 3 of Article XIII 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 Mello-Roos 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 Mello-Roos 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 Mello-Roos 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 August 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 District Bonds.

It may be possible, however, for voters or the City Council, acting as the legislative body of the District, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the District 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 District Bonds. Nevertheless, to the maximum extent that the law permits it to do so, the District will covenant in the Fiscal Agent Agreement that it will not approve any reduction to the Maximum Special Tax rates in Improvement Area No. 3 which would prohibit the District from levying the Special Taxes at a level which would generate Net Taxes (defined in the Fiscal Agent Agreement as Special Taxes less Administrative Expenses) at least equal to 110% of annual debt service for the District Bonds in each Fiscal Year. However, no assurance can be given as to the enforceability of the foregoing covenant.

With respect to the approval of the Special Taxes, on August 1, 2015, the California Court of Appeal, Fourth Appellate District, Division One, issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997) (the “San Diego Decision”). The case involved a Convention Center Facilities District (the “CCFD”) established by the City of San Diego (“San Diego”). The CCFD is a financing district much like a community facilities district established under the provisions of the Act. The CCFD is comprised of all of the real property within the boundaries of San Diego. However, the special tax to be levied within the CCFD was to be levied only on hotel properties located within the CCFD.

The election authorizing the special tax was limited to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located. Thus, the election was not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was modeled after Section 53326(c) of the Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. The Court held that the CCFD special tax election was invalid under the California Constitution because Article XIII A, Section 4 thereof and Article XIII C, Section 2 thereof require that the electors in such an election be the registered voters within the district.

The facts of the San Diego Decision show that there were thousands of registered voters within the CCFD (viz., all of the registered voters in San Diego). Improvement Area No. 3 had no registered voters residing within its boundaries at the time of the election to authorize the Special Tax. In the San Diego Decision, the Court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the Court’s holding does not apply to the Special Tax election in Improvement Area No. 3. Moreover, Section 53341 of the Act provides that any “action or proceeding to attack, review, set aside, void or annul the levy of a special tax...shall be commenced within 30 days after the special tax is approved by the voters.” Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds. Voters within Improvement Area No. 3 approved the Special Tax and the issuance of bonds on January 13, 2015. Based on Sections 53341 and 53359 of the Act and analysis of existing laws, regulations, rulings and court decisions, the City believes that no successful challenge to the Special Tax being levied in accordance with the Rate and Method may now be brought.

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

w) **Ballot Initiatives and Legislative Matters**

Articles XIII A, XIII B, XIII C and XIII D, all of which placed certain limitations on the power of local agencies to tax, collect and expend revenues, were adopted pursuant to measures qualified for the ballot pursuant to California's constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the City, or the District to increase revenues or to increase appropriations or on the ability of the landowners within Improvement Area No. 3 to complete proposed future development.

7) **LEGAL MATTERS**

a) **Tax Matters**

Tax Exemption. At closing, Bond Counsel expects to render an opinion to the Authority that based on existing statutes, regulations, rulings, and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 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 tax, although Bond Counsel observes that interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for tax years beginning prior to January 1, 2018. Bond Counsel expects to deliver an opinion at the time of issuance of the Bonds substantially in the form set forth in Appendix C 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 Authority will covenant to comply with certain restrictions designed to assure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in federal gross income, possibly from the date of issuance of the Bonds. In addition, the Authority will make certain representations and covenants in the Indenture and the Tax Certificate to be delivered the date closing. The opinion of Bond Counsel will assume compliance with all these covenants and representations. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may affect the value of, or the tax status of interest, on the Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective owners are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is greater than the amount payable at maturity thereof, then the excess of the tax basis of a purchaser of such Bond (other than a purchaser who holds such Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) over the principal amount of such Bond constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes.

Original issue discount is excludable from gross income for federal income tax purposes and exempt from State of California personal income taxes to the same extent as the interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each such Bond and the basis of such Bond acquired at such initial offering price by an initial purchaser of each such Bond will be increased by the amount of such accrued discount. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase such Bonds after the initial

offering of a substantial amount thereof. Owners who do not purchase such Bonds in the initial offering at the initial offering prices should consult their own tax advisors with respect to the tax consequences of ownership of such Bonds. All holders of such Bonds should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition to the extent that calculation of such loss is based on accrued original issue discount.

Original issue premium is amortized for federal income tax purposes and State of California personal income taxes over the term of such Bond based on the purchaser's yield to maturity in such Bond, except that in the case of such Bond callable prior to its stated maturity, the amortization period and the yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Bond. A purchaser of such Bond is required to decrease his or her adjusted basis in such Bond by the amount of bond premium attributable to each taxable year in which such purchaser holds such Bond. The amount of bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of such Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of bond premium attributable to each taxable year and the effect of bond premium on the sale or other disposition of such Bond and with respect to the state and local tax consequences of owning and disposing of such Bond.

Prospective purchasers of the Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by the applicable percentage of the sum of certain items, including interest with respect to the Bonds, (ii) interest, with respect to the Bonds, earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income, including interest with respect to the Bonds, may be subject to federal income taxation under Section 1375 of the Code for subchapter S corporations having subchapter C earnings and profits at the close of the taxable year and gross receipts more than 25% of which constitute passive investment income, and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Bonds. This list is not meant to be an exhaustive list of tax treatment that may apply to the Bonds and Owners should contact their own tax advisors regarding whether the accrual or receipt of interest on the Bonds may otherwise affect an Owner's State, local, or federal tax liability.

Certain agreements, requirements, and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in those documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Bond Counsel expresses no opinion as to any Bond or the interest payable with respect thereto if any change occurs or action is taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from federal gross income and is exempt from current State of California personal income taxes the ownership or disposition of the Bonds and the accrual or receipt of interest on the Bonds may otherwise affect an Owner's State, local, or federal tax liability. The nature and extent of these other tax consequences will depend upon each Owner's particular tax status and the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences. Bond Counsel's opinion is rendered as of its date and Bond Counsel assumes no obligation to update its opinion.

Future rulings, court decisions, legislative proposals, if enacted into law, or clarification of the Code may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Owners from realizing the full current benefit of the tax status of such interest. There can be no assurance that such future rulings, court decisions, legislative proposals, if enacted into law, or clarification of the Code enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax exempt status or market price of the Bonds.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority will covenant, however, to comply with the requirements of the Code. Unless separately engaged, Bond Counsel is not obligated to defend the Authority or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability of, the Bonds, and may cause the Authority or the Beneficial Owners to incur significant expense.

Information Reporting and Backup Withholding. Information reporting requirements will apply to interest (including original issue discount, if any) paid after March 31, 2007, on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payer with a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payer is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payer" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

b) Absence of Litigation

The Authority will certify at the time the Bonds are issued that no litigation is pending or threatened concerning the validity of the Bonds and that no action, suit or proceeding is known by the Authority to be pending against the Authority that would restrain or enjoin the delivery of the Bonds, or contest or affect the validity of the Bonds or any proceedings of the Authority taken with respect to the Bonds. The District will also certify at the time the Bonds are issued that no litigation is pending or threatened concerning the validity the District Bonds and that no action, suit or proceeding is known by the District to be pending against the District that would restrain or enjoin the delivery of the District Bonds, or contest or affect the validity of the District Bonds or any proceedings of such District taken with respect to the District Bonds.

c) Legal Opinion

Certain proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Aleshire & Wynder, LLP, Irvine, California, Bond Counsel for the Authority in connection with the issuance of the Bonds. The opinion of Bond Counsel approving the validity of the Bonds substantially in the form attached as Appendix C hereto will be attached to each Bond. Bond Counsel's employment is limited to a review of legal procedures required for the approval of the Bonds and to rendering an opinion as to the validity of the Bonds and the exemption of interest on the Bonds from income taxation. Bond Counsel expresses no

opinion to the Owners of the Bonds as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the Bonds and expressly disclaims any duty to do so.

Payment of the fees of Disclosure Counsel, the Municipal Advisor, Underwriter's Counsel and the Underwriter is contingent upon issuance of the Bonds.

8) MISCELLANEOUS

a) No Rating

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

b) Underwriting

The Bonds are being purchased by Brandis Tallman LLC (the "Underwriter") at a purchase price of \$_____ (representing the par amount of the Bonds, less Underwriter's discount of \$_____ and less net original issue discount of \$_____).

The purchase contract relating to the Bonds between the Authority and the Underwriter provides that all Bonds will be purchased if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in said purchase contract, including, but not limited to, the approval of certain legal matters by counsel.

c) Continuing Disclosure

District Continuing Disclosure. Pursuant to a Continuing Disclosure Agreement, the District will agree to provide, or cause to be provided, through the Electronic Municipal Market Access system ("EMMA") maintained by the Municipal Securities Rulemaking Board (or with such other entity as is designated or authorized under Rule 15c2-12 adopted by the Securities and Exchange Commission) certain annual financial information and operating data. The Annual Report to be filed by the District will include audited financial statements of the City, and additional financial and operating data concerning Improvement Area No. 3 as set forth in Section 4 of the Continuing Disclosure Agreement attached hereto as Appendix D.

The Continuing Disclosure Agreement will inure solely to the benefit of any Dissemination Agent, the Underwriter and Owners or Beneficial Owners from time to time of the Bonds. A default under the Continuing Disclosure Agreement is not a default under the Indenture and the sole remedy following a default is an action to compel specific performance by the District with the terms of the Continuing Disclosure Agreement.

The City and its related governmental entities (such as the District, the Redevelopment Agency of the City of Perris and the Successor Agency to the Redevelopment Agency of the City of Perris) have previously entered into disclosure undertakings under Rule 15c2-12 in connection with the issuance of long-term obligations. Compliance with such undertakings has been the responsibility of City staff.

During the last five years the Successor Agency to the Redevelopment Agency of the City of Perris, the Redevelopment Agency of the City of Perris, the City, certain community facilities districts formed by the City (including the District), the Perris Public Financing Authority (the "PPFA") and the Authority, failed to comply in certain respects with continuing disclosure undertakings related to outstanding bonded indebtedness. The failures to comply include late filings with respect to several annual reports, incomplete filings with respect to other annual reports and late filings with respect to several audited financial statements for several years. With respect to several continuing disclosure undertakings, audited financial statements were filed as much as five months late. Remedial filings have been made and the City and its related entities are currently in compliance

with all continuing disclosure obligations, except for certain information which was not provided as of the date required because such data was not available as of such date.

The Authority, the City and its community facilities districts, the PPFA and the Authority, as applicable, have made additional filings to provide certain previously omitted information. In order to promote compliance by the Authority, the Agency, the City and its community facilities districts, including the District, with continuing disclosure undertakings in the future, the City has retained Willdan Financial Services to serve as the dissemination agent for its outstanding bonded indebtedness which are subject to Rule 15c2-12.

Developer Continuing Disclosure. To provide updated information with respect to the development within Improvement Area No. 3, the Developer will enter into a Continuing Disclosure Agreement of the Developer (the “Developer Continuing Disclosure Agreement”) by and between the Developer and Willdan Financial Services, as dissemination agent, and will covenant to provide an Annual Report not later than June 15 of each year beginning June 15, 2019, and a Semiannual Report on each December 15, beginning December 15, 2019, until satisfaction of certain conditions set forth in the Developer Continuing Disclosure Agreement. The Annual Reports and the Semiannual Reports to be provided by the Developer will contain updates regarding the development within Improvement Area No. 3 as outlined in Section 4 of the Developer Continuing Disclosure Agreement attached as Appendix E. In addition to its Annual Reports and Semiannual Reports, the Developer will agree to provide notices of certain events set forth in the Developer Continuing Disclosure Agreement.

The Developer’s obligations under the Developer Continuing Disclosure Agreement will terminate upon the earliest to occur of: (a) the legal defeasance, prior redemption or payment in full of all the Bonds; or (b) the property owned by the Developer within Improvement Area No. 3 being responsible for less than 20% of the Special Tax levy. Based on the Developer’s projected schedule for buildout of the project in Improvement Area No. 3, it is expected that the Developer’s obligations under the Developer Continuing Disclosure Agreement will terminate prior to the time the first report thereunder will be due.

d) Pending Legislation

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

e) Additional Information

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 statements 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 representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or Owners of any of the Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Authority.

PERRIS JOINT POWERS AUTHORITY

By: _____
Executive Director

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

I. SUMMARY OF THE INDENTURE

The following is a brief summary of the provisions of the Indenture of Trust, and is supplemental to the summary of other provisions of the Indenture of Trust described elsewhere in this Official Statement. This summary does not purport to be comprehensive or definitive, and reference should be made to the Indenture of Trust for full and complete statements of its respective provisions. All capitalized terms used but not otherwise defined in this Section I of the Appendix (Summary of the Indenture) shall have the meanings assigned to such terms in the Indenture of Trust.

Definitions

“Act” means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State, as in existence on the Closing Date or as thereafter amended from time to time.

“Additional Bonds” means bonds issued by the District, if permitted, pursuant to the Fiscal Agent Agreement or a Supplemental Agreement, if permitted, (as defined by the Fiscal Agent Agreement), which are secured by special taxes levied within the District on a parity with the District Bonds, if any.

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

“Authority” means the Perris Joint Powers Authority, a joint powers authority duly organized and existing under the Joint Exercise of Powers Agreement, dated as of March 26, 2013, by and between the City and the Agency, together with any amendments thereof and supplements thereto and under the laws of the State.

“Authority Representative” means the Chairperson, Vice Chairperson, Executive Director, Assistant Executive Director or Treasurer of the Authority, or any other authorized representative of the Authority as evidenced by a certificate of the Chairperson or Executive Director.

“Board” means the Board of Directors of the Authority.

“Bond Counsel” means Aleshire & Wynder, LLP, or any attorney or firm of attorneys appointed by or acceptable to the Authority of nationally-recognized expertise in the field of municipal finance whose opinions are generally accepted by purchasers of municipal bonds or notes.

“Bond Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act (commencing with Section 6584), as in existence on the Closing Date or as thereafter amended from time to time.

“Bond Purchase Fund” means the fund established pursuant to the Indenture.

“Bond Year” means each twelve-month period beginning on September 2 of each year and ending September 1 of the following year, except that the first Bond Year shall begin on the Closing Date and end on September 1, 2019, provided, however, that for the purposes of calculating the rebate requirements under the

Code, the Bond Year may, at the election of the Authority commence on the Closing Date and end one year later, or as otherwise permitted by the Tax Certificate.

“Bonds” means Perris Joint Powers Authority Local Agency Revenue Bonds (IA 3-CFD No. 2014-1 (Avelina)), 2018 Series A, authorized by and at any time Outstanding pursuant to the Bond Law and the Indenture.

“Business Day” means a day of the year, other than a Saturday or Sunday, on which banks in Los Angeles, California, and San Francisco, California and the principal corporate trust office of the Trustee, are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

“Cash Flow Management Fund” means the fund by that name established by the Indenture.

“Cash Flow Management Fund Requirement” means, as of any calculation date, an amount equal to 15% of the Maximum Annual Debt Service.

“Certificate” or “Written Certificate” or “Written Request” of the Authority means, a written certificate or written request signed in the name of the Authority by an Authority Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

“City” means the City of Perris, a political subdivision organized and existing under the laws of the State.

“Closing Date” means the date of delivery of the Bonds to the original purchasers thereof.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced in the Indenture) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Corporate Trust Office” means the corporate trust office of the Trustee at the address set forth in the Indenture or such other office designated by the Trustee from time to time in writing to the Authority.

“Costs of Issuance” means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds, the purchase of the District Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Authority, the District and the Trustee, compensation to any financial consultants or underwriters, legal fees and expenses, filing and recording costs, rating agency fees, costs of preparation and reproduction of documents and costs of printing.

“Costs of Issuance Fund” means the fund established and held by the Trustee pursuant to the Indenture.

“District” means Community Facilities District 2014-1 (Avelina) of the City of Perris on behalf of Improvement Area No. 3.

“District Bonds” means Improvement Area No. 3 of Community Facilities District No. 2014-1 (Avelina) of the City of Perris Special Tax Bonds, 2018 Series.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Event of Default” means any of the events described in the Indenture.

“Excess Investment Earnings” means the amount of excess investment earnings determined to be subject to rebate to the United States of America with respect to the investment of the gross proceeds of the Bonds, determined pursuant to Section 148(f) of the Code.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

“Federal Securities” means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Trustee, as shall be certified by the Authority to the Trustee:

- (1) direct general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as “stripped” obligations and coupons; and
- (2) any of the following obligations of the following agencies of the United States of America: (a) direct obligations of the Export-Import Bank, (b) certificates of beneficial ownership issued by the Farmers Home Administration, (c) participation certificates issued by the General Services Administration, (d) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, (e) project notes issued by the United States Department of Housing and Urban Development, and (f) public housing notes and bonds guaranteed by the United States of America; or refunded municipal obligations, the timely payment of principal of and interest on are fully guaranteed by the United States of America.

“Fiscal Agent” means U.S. Bank National Association, as fiscal agent under the Fiscal Agent Agreement.

“Fiscal Agent Agreement” means the Fiscal Agent Agreement, dated as of November 1, 2018, by and between the District and the Fiscal Agent relating to the District Bonds, as said agreement may be amended from time to time in accordance with its terms.

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period and certified to the Trustee in writing by an Authority Representative.

“Indenture” means the Indenture of Trust, dated as of November 1, 2018, between the Authority and the Trustee as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions of the Indenture.

“Independent Accountant” means any certified public accountant or firm of certified public accountants appointed and paid by the Authority, and who, or each of whom (a) is in fact independent and not under domination of the Authority or the City; (b) does not have any substantial interest, direct or indirect, in the Authority or the City; and (c) is not connected with the Authority or the City as an officer or employee of the Authority or the City but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

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

“Interest Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Interest Payment Date” means March 1 and September 1 in each year, beginning March 1, 2019, and continuing thereafter so long as any Bonds remain Outstanding.

“Letter of Representations” means the letter of the Authority delivered to and accepted by DTC (or such other applicable Securities Depository) on or prior to the issuance of the Bonds in book entry form setting forth the basis on which DTC (or such other applicable Securities Depository) serves as depository for the Bonds issued in book entry form, as originally executed or as it may be supplemented or revised or replaced by a letter to a substitute Securities Depository.

“Maximum Annual Debt Service” means, as of the date of calculation, the maximum amount obtained by totaling, for the current or any future Bond Year, the sum of: (a) the principal amount of all such Outstanding Bonds maturing in such Bond Year and sinking fund payments due in such Bond Year; and (b) the interest which would be due during such Bond Year on the aggregate principal amount of such Bonds which would be Outstanding in such period if such Bonds are retired as scheduled, but deducting and excluding from such aggregate principal amount the aggregate principal amount of such Bonds no longer Outstanding.

“Moody’s” means Moody’s Investors Service, and its successors and assigns.

“Outstanding” when used as of any particular time with reference to Bonds, means all Bonds theretofore executed, issued and delivered by the Authority under the Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds paid or deemed to have been paid within the meaning of the Indenture; and (c) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered pursuant to the Indenture or any Supplemental Indenture.

“Owner” or “Bond Owner” when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Registration Books.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein and the investment policy of the City or District (the Trustee is entitled to rely on written investment direction of the Authority as a determination that such investment is a legal investment), but only to the extent that the same are acquired at Fair Market Value:

- (a) any direct general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally fully guaranteed by the United States of America; and any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America;

(b) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) obligations of the Federal Financing Bank; (iv) debentures of the Federal Housing Administration; (v) participation certificates of the General Services Administration; (vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (vii) guaranteed Title XI financings of the U.S. Maritime Administration; (viii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development;

(c) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal); (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations (but only the interest component of stripped obligations) of the Resolution Funding Corporation; and (vi) consolidated system wide bonds and notes of the Farm Credit System;

(d) money market funds (including funds of the Trustee or its affiliates) registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of “AAAm-G”, “AAAm”, or “AAm”, or, if rated by Moody’s, rated “Aaa-mf”, “Aa-mf” or “A-mf”;

(e) certificates of deposit secured at all times by collateral described in (a) or (b) above, which have a maturity of one year or less, which are issued by commercial banks, savings and loan associations or mutual savings banks, and such collateral must be held by a third party, and the Trustee must have a perfected first security interest in such collateral;

(f) certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by the Federal Deposit Insurance Corporation;

(g) investment agreements, including guaranteed investment contracts, forward purchase agreements and Reserve Account put agreements, which are general obligations of an entity whose long term debt obligations, or claims paying ability, respectively, is rated in one of the two highest rating categories by Moody’s or S&P;

(h) commercial paper rated, at the time of purchase, “Prime-1” by Moody’s and “A-1” or better by S&P;

(i) bonds or notes issued by any state or municipality which are rated by Moody’s and S&P in one of the two highest rating categories assigned by such agencies;

(j) deposit accounts, money market deposits, federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime-1” or “A3” or better by Moody’s and “A-1” or “A” or better by S&P;

(k) repurchase agreements which provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee and the transfer of cash from the Trustee to the dealer

bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date, which satisfy the following criteria:

(i) repurchase agreements must be between the Trustee and (A) a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the Securities Investors Protection Corporation which are rated “A” or better by Moody’s and S&P, or (B) a bank rated “A” or better by Moody’s and S&P;

(ii) the written repurchase agreement contract must include the following: (A) securities acceptable for transfer, which may be direct U.S. government obligations, or federal agency obligations backed by the full faith and credit of the U.S. government; (B) the term of the repurchase agreement may be up to 30 days; (C) the collateral must be delivered to the Trustee or a third party acting as agent for the Trustee simultaneous with payment (perfection by possession of certificated securities); (D) the Trustee must have a perfected first priority security interest in the collateral; (E) the collateral must be free and clear of third-party liens and, in the case of a broker which falls under the jurisdiction of the Securities Investors Protection Corporation, are not subject to a repurchase agreement or a reverse repurchase agreement; (F) failure to maintain the requisite collateral percentage, after a two-day restoration period, will require the Trustee to liquidate the collateral; and (G) the securities must be valued weekly, marked-to-market at current market price plus accrued interest and the value of collateral must be equal to 104% of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus accrued interest (unless the securities used as collateral are obligations of the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, in which case the collateral must be equal to 105% of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus accrued interest). If the value of securities held as collateral falls below 104% of the value of the cash transferred by the Trustee, then additional cash and/or acceptable securities must be transferred; and

(iii) a legal opinion must be delivered to the Trustee to the effect that the repurchase agreement meets guidelines under state law for legal investment of public funds; and

(iv)

(l) the Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

(m)

“Principal Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Rebate Account” means the account established and held by the Trustee pursuant to the Indenture.

“Record Date” means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month preceding such Interest Payment Date.

“Redemption Fund” means the fund by such name established and held by the Trustee pursuant to the Indenture.

“Redemption Revenues” means (a) amounts received from the special mandatory redemption of the District Bonds from amounts constituting prepayments of special taxes and from amounts transferred from the Delinquency Management Fund under the Fiscal Agent Agreement and from amounts transferred from the Cash Flow Management Fund under the Indenture, and (b) amounts received from the optional redemption of the District Bonds.

“Registration Books” means the records maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Bonds.

“Reserve Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Reserve Requirement” means, as of any calculation date, an amount equal to the least of (i) ten percent (10%) of the proceeds (within the meaning of section 148 of the Code) of the Bonds as of the date of issuance; (ii) 125% of average Annual Debt Service as of the date of issuance; or (iii) Maximum Annual Debt Service; provided however, the Reserve Requirement on any calculation date shall not be greater than the Reserve Requirement amount on the Closing Date.

“Revenue Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Revenues” means: (a) all amounts received by the Authority from the District as principal of or interest on the District Bonds (including all amounts constituting mandatory sinking payments on the District Bonds); (b) all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the Indenture for the Bonds, other than the Rebate Account, the Redemption Fund and the Cash-Flow Management Fund; and (c) income and gains with respect to the investment of amounts on deposit in the funds and accounts established under the Indenture for the Bonds, other than the Rebate Account, the Redemption Fund and the Cash-Flow Management Fund.

“S&P” means S&P Global Ratings, Inc., and its successors and assigns.

“Securities Depositories” means DTC, and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

“State” means the State of California.

“Supplemental Indenture” means any indenture, agreement or other instrument that may later be duly executed by the Authority and the Trustee in accordance with the provisions of Section 7.01 hereof.

“Tax Certificate” means the Tax Certificate, dated the Closing Date and executed by the Authority.

“Tax Regulations” means temporary and permanent regulations promulgated under or with respect to Section 103 and Sections 141 through 150, inclusive, of the Code.

“Trustee” means U.S. Bank National Association, and its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Indenture.

Revenues; Flow of Funds

Pledge of Revenues; Assignment of Rights. The Bonds are secured by a first lien on and pledge (which will be effected in the manner and to the extent provided in the Indenture) of all of the Revenues and Redemption Revenues and a pledge of all of the moneys in the Bond Fund, the Revenue Fund, the Redemption Fund and the Cash Flow Management Fund, including all amounts derived from the investment of such moneys. The Bonds shall be equally secured by a pledge, charge and first lien upon the Revenues and Redemption Revenues and such moneys without priority for number, date of Bonds, date of execution or date of delivery; and the payment of the interest on and principal of the Bonds and any premiums upon the redemption of any thereof shall be and are secured by an exclusive pledge, charge and first lien upon the Revenues and Redemption Revenues and such moneys.

So long as any of the Bonds are Outstanding, the Revenues and Redemption Revenues and such other money shall not be used for any other purpose except as described under the Indenture for the payment of the Bonds; except that out of the Revenues and Redemption Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by the Indenture.

The Authority transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and Redemption Revenues and all of the right, title and interest of the Authority (but not the obligation) in the District Bonds (other than certain of the rights of the Authority under the Indenture related to limited liability and personal liability, and any rights of the Authority in the Rebate Account or to notices or consent under the Indenture). The Trustee shall be entitled to and shall receive all of the Revenues and Redemption Revenues, and any Revenues and Redemption Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The assignment to the Trustee is solely in its capacity as Trustee under the Indenture and in accepting such assignment and taking any actions with respect to the District Bonds, the Trustee shall be entitled to all the indemnities, protections, immunities and limitations from liability afforded it as Trustee under the Indenture. The Trustee also shall be entitled to and, subject to the provisions of the Indenture, shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the District under the District Bonds.

Receipt, Deposit and Applications of Revenues.

(a) Deposit of Revenues; Revenue Fund. All Revenues (excluding Redemption Revenues) will be promptly deposited by the Trustee upon receipt in a special fund designated as the "Revenue Fund" which the Trustee will establish, maintain and hold in trust under the Indenture.

(b) Deposit of Revenues; Bond Fund: The Trustee will establish, maintain and hold in trust a fund, entitled "Bond Fund." Within such fund, the Trustee will establish, maintain and hold in trust separate special accounts entitled "Interest Account," "Principal Account" and "Reserve Account." On or before each Interest Payment Date, the Trustee will transfer from the Revenue Fund for deposit into the Bond Fund the following amounts, in the priority set forth in the Indenture.

(c) Application of Revenues; Bond Fund. On or before each Interest Payment Date, the Trustee will transfer from the Revenue Fund and deposit into the Bond Fund and the following respective special accounts within the Bond Fund, the following amounts in the following order of priority, the requirements of each such special account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(i) *Interest Account.* On or before each applicable Interest Payment Date, the Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Bonds. No deposit need be made into the Interest Account if the amount contained in the Interest Account is at least equal to the interest becoming due and payable upon all Outstanding Bonds on such Interest Payment Date. All moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it will become due and payable (including accrued interest on any Bonds redeemed prior to maturity).

(ii) *Principal Account.* On or before each date on which the principal of the Bonds will be payable, the Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the aggregate amount of principal (including sinking fund payments) coming due and payable on such date on the Bonds pursuant to the Indenture. All moneys in the Principal

Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds (including sinking fund payments).

(iii) *Reserve Account.* All amounts on deposit in the Revenue Fund on each Interest Payment Date not required to pay any interest on or principal of any Outstanding Bonds then having come due and payable, will be credited to the replenishment of the Reserve Account in an amount sufficient to maintain the Reserve Requirement in the Reserve Account.

The Authority will deposit from the repayment of the District Bonds (and, to the extent necessary and permitted by law, from available surplus revenues with respect to other series of bonds issued by the Authority relating to community facilities districts), and maintain an amount of money equal to the Reserve Requirement in the Reserve Account at all times while the Bonds are Outstanding. Amounts in the Reserve Account will be used to pay debt service on the Bonds to the extent other moneys (including amounts in the Cash Flow Management Fund) are not available therefor. Earnings on amounts in the Reserve Account in excess of the Reserve Requirement or other amounts in the Reserve Account in excess of the Reserve Requirement will be deposited into the Revenue Fund, if and to the extent such earnings or other amounts are not required to be retained in the Reserve Account to meet the Reserve Requirement. Upon redemption of the Bonds, amounts on deposit in the Reserve Account will be reduced (to an amount not less than the Reserve Requirement) and the excess moneys will be transferred to the Redemption Fund and used for the redemption of the Bonds. Amounts in the Reserve Account may be used to pay the final year's debt service on the Bonds.

(iv) *Surplus.* All remaining amounts on September 2 (or the next Business Day to the extent September 2 is not a Business Day) of each year, commencing September 2, 2019, on deposit in the Revenue Fund will be transferred to the Cash Flow Management Fund.

(v) *Rebate Account.* The Trustee will deposit in the Rebate Account (which account is established as a separate account to be held by the Trustee) from time to time, as set forth in the Indenture, an amount determined by the Authority to be subject to rebate to the United States of America in accordance with the Indenture. Amounts in the Rebate Account will be applied and disbursed by the Trustee solely for the purposes and at the times set forth in written requests of the Authority filed with the Trustee pursuant to the Indenture). The Trustee will not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report or rebate calculations. The Trustee will be deemed conclusively to have complied with the provisions of the Indenture and any other agreement relating to the Bonds regarding calculation and payment of rebate if it follows the directions of the Authority and it will have no independent duty to review such calculations or enforce the compliance with such rebate requirements by the Authority.

The Cash Flow Management Fund and the Redemption Fund are described in the body of the Official Statement.

Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture will be invested by the Trustee solely in Permitted Investments pursuant to the Written Request of the Authority given to the Trustee at least two (2) Business Days in advance of the making of such investments, which by their terms mature prior to the date on which such moneys are required to be paid out under the Indenture. Each such written direction will contain the representation of the Authority that the investments identified constitute Permitted Investments under the Indenture upon which the Trustee may conclusively rely. In the absence of any such direction from the Authority, the Trustee will invest any such moneys in money market funds permitted by the Indenture. Obligations purchased as an investment of moneys in any funds will be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture will be deposited in the fund or account from which such investment was made. For purposes of acquiring any investments under the Indenture, the Trustee may commingle funds held by it under the Indenture upon the Written Request of the Authority. The Trustee or its affiliate may (but will not be obligated

to) act as principal or agent in the acquisition or disposition of any investment and will be entitled to its customary fees therefor. The Trustee is required to sell or present for redemption, any Permitted Investment it purchases whenever it will be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such permitted investment is created. The Trustee will incur no liability for losses arising from any investments made pursuant to the Indenture.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish to the Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the Indenture. The Trustee may act as purchaser or agent in the making or disposing of any investment. Such investments, if registered, will be registered in the name of the Trustee for the benefit of the Owners and held by the Trustee.

The Trustee or any of its affiliates may act as sponsor, advisor or manager or provide administrative services in connection with any Permitted Investments.

Investment of funds is also subject to the provisions of the Tax Certificate.

Valuation and Disposition of Investments. Except as otherwise provided in the next sentence, the Authority covenants in the Indenture that all investments of amounts deposited in any fund, or account created by or pursuant to the Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) will be acquired, disposed of, and valued (as of the date that valuation is required by the Indenture or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of the Code will be valued at their present value (within the meaning of section 148 of the Code).

Covenants

Punctual Payment. The Authority will punctually pay or cause to be paid the principal, interest and premium (if any) to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

Extension of Payment of Bonds. The Authority will 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 will be extended, such Bonds or claims for interest will not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, 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 will not have been so extended. Nothing in the Indenture will be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance will not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances. The Authority will not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including the purchase of Additional Bonds and other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues, the District Bonds and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms and priority of payment, and the Authority and the Trustee, subject to the provisions of the Indenture, will at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Accounting Records and Financial Statements. The Trustee will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries will be made of all transactions made by the Trustee relating to the proceeds of Bonds, the Revenues and all funds and accounts established by the Trustee pursuant to the Indenture. Such books of record and account will be available for inspection by the Authority, during regular business hours with reasonable prior notice.

Not later than 45 days following each Interest Payment Date, the Trustee will prepare and file with the Authority a report setting forth: (i) amounts withdrawn from and deposited into each fund and account maintained by the Trustee under the Indenture; (ii) the balance on deposit in each fund and account as of the date for which such report is prepared; and (iii) a brief description of all obligations held as investments in each fund and account. Copies of such reports may be mailed to any owner of at least 50% aggregate principal amount of Bonds Outstanding, upon the owner's written request at a cost not to exceed the Trustee's actual costs of duplication and mailing. Said reports may be in the form of the Trustee's regular statements.

No Additional Parity Debt. Except for the Bonds, or bonds issued for the purpose of refunding the Bonds, the Authority covenants that no additional bonds, notes or other indebtedness will be issued or incurred which are payable out of the Revenues in whole or in part. Subject to this limitation, the Authority expressly reserves the right to enter into one or more indentures for any of its corporate purposes, including but not limited to the purchase of Additional Bonds under the Fiscal Agent Agreement, and other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Tax Covenants Relating to Bonds. The Authority covenants that it will not use, and will not permit the use of, and will not omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, could cause the interest on any Bond to fail to be excluded pursuant to Section 103(a) of the Code from the gross income, of the owner thereof for federal income tax purposes.

District Bonds. The Trustee, as assignee of the Authority rights pursuant to the Indenture, will (subject to the provisions of the Indenture) collect all amounts due as principal and interest on District Bonds from the District and, subject to the provisions of the Indenture, will enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the Authority in the Indenture and for the enforcement of all of the obligations of the District in the Indenture.

Further Assurances. The Authority will cause to be collected and paid to the Trustee all Revenues as such Revenues become due and payable. The Authority will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in the Indenture.

Immunity. The Authority is not entitled to any immunity, sovereign or otherwise, from any legal proceedings to enforce or collect upon the Indenture or the Bonds. To the extent that the Authority has or may

later acquire any right to immunity, the Authority waives such rights for itself in respect of its obligations arising under the Indenture and the Bonds.

No Acceleration. The principal of the Bonds will not be subject to acceleration. Nothing in the Indenture will in any way prohibit the redemption of Bonds or the defeasance of the Bonds and discharge of the Indenture.

Modification and Amendment of the Indenture

Amendment.

(a) The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture which will become binding upon execution by the Authority and the Trustee and upon prior written consent of the District, without consent of any Bond Owners, to the extent permitted by law but only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority contained in the Indenture, other covenants and agreements that later are to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Authority in the Indenture;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in any other respect whatsoever, as the Authority may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners in the opinion of Bond Counsel;

(iii) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute in effect in the future, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute; or

(iv) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds.

(b) Except as set forth in the Indenture, the rights and obligations of the Authority and of the Owners of the Bonds may only be modified or amended at any time by a Supplemental Indenture which will become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment will (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or premiums (if any) at the time and place and at the rate and in the currency provided in the modification or amendment of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

(c) The Trustee will be provided an opinion of Bond Counsel that any such Supplemental Indenture entered into by the Authority and the Trustee complies with the provisions of the Indenture and the Trustee may conclusively rely upon such opinion.

Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective pursuant to the Indenture, the Indenture will be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties to the Indenture and all Owners of Outstanding Bonds, as the case may be, will thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture will be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement or Replacement of Bonds After Amendment. After the effective date of any action taken as provided in the Indenture, the Authority may determine that the Bonds will bear a notation, by endorsement in form approved by the Authority, 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 that purpose at the Corporate Trust Office of the Trustee, a suitable notation as to such action will be made on such Bond. If the Authority will so determine, new Bonds so modified as, in the opinion of the Authority, will be necessary to conform to such Bond Owners' action will be prepared and executed, and in that case upon demand of the Owner of any Bond Outstanding at such effective date such new Bonds will be exchanged at the Corporate Trust Office of the Trustee, without cost to each Bond Owner, for Bonds then Outstanding, upon surrender of such Outstanding Bonds.

Amendment by Mutual Consent. The provisions of the Indenture shall not prevent any Bond Owner from accepting any amendment as to the particular Bond held by him, provided that due notation thereof is made on such Bond.

Event of Default and Remedies

Events of Default. The following events will be Events of Default under the Indenture:

(a) Default in the due and punctual payment of the principal of any Bond when and as the same will become due and payable, whether at maturity, by proceedings for redemption or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment will become due and payable.

(c) Failure by the Authority to observe and perform any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, other than as referred to in the preceding clauses (a) and (b), for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied has been given to the Authority by the Trustee, or to the Authority and the Trustee by the Owners of the Bonds of not less than twenty-five percent (25%) in the aggregate principal amount of the Bonds at that time Outstanding, provided, however, that if in the reasonable opinion of the Authority, provided to the Trustee in writing, the failure stated in such notice can be corrected, but not within such thirty (30) day period, such failure will not constitute an Event of Default if corrective action is instituted by the Authority within such thirty (30) day period and diligently pursued until such failure is corrected.

(d) The filing by the Authority of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction will approve a petition, filed with or without the consent of the Authority, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the Authority or of the whole or any substantial part of its property.

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

If an Event of Default will have occurred and be continuing, the Trustee may, if requested so to do by the Owners of a majority in aggregate principal amount of Outstanding Bonds, and indemnified as provided in the Indenture, the Trustee will be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as the Trustee, being advised by counsel, will deem most expedient in the interests of the Bond Owners.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Bond Owners) is intended to be exclusive of any other remedy, but each and every such remedy will be cumulative and will be in addition to any other remedy given to the Trustee or to the Bond Owners under the Indenture or existing at law or in equity.

No delay or omission to exercise any rights or power accruing upon any Event of Default will impair any such right or power or will be construed to be a waiver of to any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

Application of Revenues and Other Funds After Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture will be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid.

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

Second, to the payment of the whole amount of interest on and principal of the Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds; provided, however, that in the event such amounts will be insufficient to pay in full the full amount of such interest and principal, then such amounts will be applied in the following order of priority:

- (a) first, to the payment of all installments of interest on the Bonds then due and unpaid,
- (b) second, to the payment of all installments of principal of the Bonds then due and unpaid,
- (c) third, to the payment of the redemption price (including principal and interest accrued to the redemption date, but excluding any premium) of the Bonds to be redeemed pursuant to the Indenture, and
- (d) fourth, to the payment of interest on overdue installments of principal and interest on the Bonds.

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

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

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

A waiver of any default or breach of duty or contract by the Trustee or any Bond Owners will 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 of the Trustee or any Owner of any of the Bonds to exercise any right or power accruing upon any default or breach will impair any such right or power or will be construed to be a waiver of or acquiescence to any such default or breach; and every power and remedy conferred upon the Trustee or Bond Owners by the Bond Law or by the Indenture may be enforced and exercised from time to time and as often as will be deemed expedient by the Trustee or the Bond Owners, as the case may be.

Right and Remedies of Bond Owners. No Owner of any Bond issued under the Indenture will have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner will have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all Bonds then Outstanding will have made written request upon the Trustee to exercise the powers granted or to institute such action, suit or proceeding in its own name; (c) said Owners will have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee will have refused or omitted to comply with such request for a period of sixty (60) days after such written request will have been received by, and said tender of indemnity will have been made to, the Trustee; and (e) no direction inconsistent with such written request has been given to the Trustee during such sixty (60) day period by the Owners of majority in aggregate principal amount of the Bonds then Outstanding.

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

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

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

Miscellaneous

Limited Liability of Authority. Notwithstanding anything contained in the Indenture, the Authority will not be required to advance any moneys derived from any source of income other than the Revenues for the payment of the principal of or interest on the Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants contained in the Indenture (except to the extent any such covenants are expressly payable under the Indenture from the Revenues). The Authority may, however, advance funds for any such

purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring indebtedness.

The Bonds will be revenue bonds, payable exclusively from the Revenues and other funds as in the Indenture provided. The general fund of the Authority is not liable, and the credit of the Authority is not pledged, for the payment of the interest and premium (if any) on or principal of the Bonds. The Owners of the Bonds will never have the right to compel the forfeiture of any property of the Authority. The principal of and interest on the Bonds, and any premiums upon the redemption of any thereof, will not be a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues and other funds pledged to the payment thereof as in the Indenture provided.

Benefits of Indenture Limited to Parties. Nothing in the Indenture, expressed or implied, is intended to give to any person other than the Authority, the District, the Trustee, and the Owners of the Bonds, any right, remedy or claim under or by reason of the Indenture. Any covenants, stipulations, promises or agreements in the Indenture contained by and on behalf of the Authority will be for the sole and exclusive benefit of the Trustee, the District and the Owners of the Bonds.

Discharge of Indenture. The Authority will pay and discharge any or all of the Outstanding Bonds in any one or more of the following ways:

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

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, altogether with the available amounts then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture, is fully sufficient to pay such Bonds, including all principal, interest and premiums (if any); or

(c) by irrevocably depositing with the Trustee or any other fiduciary, in trust, Federal Securities in such amount as an Independent Accountant will determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

If the Authority will have taken any of the actions specified in (a), (b) or (c) above, and if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption will have been mailed pursuant to the Indenture or provision satisfactory to the Trustee will have been made, for the mailing of such notice, then, at the Written Request of the Authority, and notwithstanding that any of such Bonds will not have been surrendered for payment, the pledge of the Revenues and other funds provided for in the Indenture with respect to such Bonds, pledge of Revenues and all other pecuniary obligations of the Authority under the Indenture with respect to all such Bonds, will cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid, and all expenses and costs of the Trustee. Any funds held by the Trustee following any payments or discharge of the Outstanding Bonds, which are not required for said purposes, will be paid over to the Authority.

II. SUMMARY OF THE FISCAL AGENT AGREEMENT

The following is a brief summary of the provisions of the Fiscal Agent Agreement related to the District, and is supplemental to the summary of other provisions of the Fiscal Agent Agreement described elsewhere in this Official Statement. This summary does not purport to be comprehensive or definitive, and reference should be made to the Fiscal Agent Agreement for full and complete statements of its provisions. All capitalized terms used but not otherwise defined in this Section II of the Appendix (Summary of the Fiscal Agent

Agreement) shall have the meanings assigned to such terms in the Fiscal Agent Agreement.

Definitions

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

“Additional Authority Bonds” means bonds issued by the Authority pursuant to an Additional Authority Indenture for the purchase of Additional Bonds, if any.

“Additional Authority Indenture” means the indenture, trust agreement, fiscal agent agreement or other document governing the terms of Additional Authority Bonds.

“Additional Bond(s)” means additional bonds issued pursuant to the Fiscal Agent Agreement, if permitted.

“Administrative Expense Fund” means the fund by that name established by the Fiscal Agent Agreement.

“Administrative Expenses” means 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 City or the District (including fees and expenses of counsel) in carrying out their duties under the Fiscal Agent Agreement (including, but not limited to, the levying and collection of the Special Taxes, including costs associated with foreclosure proceedings or work-outs with property owners), complying with the disclosure provisions of the Act, the Continuing Disclosure Agreement and the Fiscal Agent Agreement, including those related to public inquiries regarding the Special Tax and disclosures to Bond Owners and the Original Purchaser; the costs of the City and the District or their designees related to an appeal of the Special Tax; any costs of the City and the District (including fees and expenses of counsel) to defend the first lien on and pledge of the Special Taxes to the payment of the Bonds and Additional Bonds or otherwise in respect of litigation relating to the District or the Bonds and Additional Bonds or with respect to any other obligations of the District; any amounts required to be rebated to the federal government in order for the District to comply with the Fiscal Agent Agreement, including the fees and expenses of its counsel; the costs of any dissemination agent under the continuing disclosure agreements entered into by the City and the District; an allocable share of the salaries of City staff directly related thereto and a proportionate amount of City general administrative overhead related thereto, and all other costs and expenses of the City, the District, or the Fiscal Agent incurred in connection with the discharge of their respective duties under the Fiscal Agent Agreement, and in the case of the City, in any way related to the administration of the District and all actual costs and expenses incurred in connection with the administration of the Bonds and Additional Bonds and the Authority Bonds.

“Agreement” means the Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement adopted pursuant to the provisions in the Fiscal Agent Agreement.

“Annual Debt Service” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds and Additional Bonds in such Bond Year, assuming that the Outstanding Bonds and Additional Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds and Additional Bonds due in such Bond Year (including mandatory sinking payments, if any).

“Auditor” means the auditor/tax collector of the County of Riverside.

“Authority” means the Perris Joint Powers Authority, a joint powers authority existing under Government Code Section 6500 et seq.

“Authority Bonds” means the Perris Joint Powers Authority Local Agency Revenue Bonds (IA 3-CFD No. 2014-1 (Avelina)), 2018 Series A, or such other series of local agency revenue bonds issued by the Authority, the proceeds of which are used to acquire one or more series of Additional Bonds.

“Authority Indenture” means the Indenture of Trust, dated as of November 1, 2018, between the Authority and U.S. Bank National Association, as trustee, relating to the Authority Bonds, or such other indenture of trust, fiscal agent agreement, trust agreement or other documents, as the case may be, relating to the Authority Bonds.

“Authorized Officer” means the City Manager, Assistant City Manager, Finance Director or City Clerk of the City, or any other officer or employee authorized by the City Council of the City or by an Authorized Officer to undertake the action referenced in the Fiscal Agent Agreement as required to be undertaken by an Authorized Officer.

“Bond Counsel” means (i) Aleshire & Wynder, LLP, or (ii) any attorney or firm of attorneys acceptable to the District and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

“Bond Fund” means the fund by that name established by the Fiscal Agent Agreement.

“Bonds” means Improvement Area No. 3 of Community Facilities District No. 2014-1 (Avelina) of the City of Perris Special Tax Bonds, 2018 Series, authorized by, and at any time Outstanding pursuant the Fiscal Agent Agreement.

“Bond Year” means each one-year period beginning on September 2 of each year and ending on September 1 of the following year, except that the first Bond Year shall begin on the Closing Date and end on September 1, 2019; provided, however, that with respect to the Authority Bonds for the purpose of calculating the rebate requirements under the Code, the Bond Year, shall be as defined in the Authority Indenture.

“Business Day” means any day other than (i) a Saturday or a Sunday, (ii) a day on which the offices of the City are not open for business, or (iii) a day on which banking institutions in the state in which the Fiscal Agent has its principal corporate trust office is authorized or obligated by law or executive order to be closed.

“CDIAC” means the California Debt and Investment Advisory Commission of the office of the State Treasurer of the State of California or any successor agency or bureau thereof.

“City” means the City of Perris, California.

“City Council” means the City Council of the City.

“City Manager” means the City Manager of the City.

“Closing Date” means the date upon which there is a physical delivery of the Bonds in exchange for the amount representing the purchase price of the Bonds by the Original Purchaser.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Authority Bonds or (except as otherwise referenced in the Fiscal Agent Agreement) as it may be amended to apply to obligations issued on the date of issuance of the Authority Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Continuing Disclosure Agreement” shall mean any Continuing Disclosure Agreement, by and between the District and a Dissemination Agent, relating to the Authority Bonds, executed on the Closing Date, as

originally executed and as it may be amended from time to time in accordance with the terms of such Continuing Disclosure Agreement.

“Corporate Trust Office” means the corporate trust office of the Fiscal Agent located in Los Angeles, California or such other office designated from time to time by the Fiscal Agent in writing to the District.

“County” means the County of Riverside, California.

“Debt Service” means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period, which relate to principal which has been retired before the beginning of such period.

“Delinquency Management Fund” means the fund by that name established by the Fiscal Agent Agreement.

“Delinquency Management Fund Requirement” means, as of any calculation date, an amount equal to 15% of the Maximum Annual Debt Service.

“Dissemination Agent” means Willdan Financial Services or such other Dissemination Agent as may be appointed by the City pursuant to the Continuing Disclosure Agreement.

“District” means the Community Facilities District No. 2014-1 (Avelina) of the City of Perris, formed pursuant to the Resolution of Formation.

“Facilities” means the facilities more particularly described in the original resolution of intention, or any portion of the Facilities financed by the Bonds.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a ten percent (10%) beneficial interest in the Fiscal Agent Agreement if the return paid by the fund is without regard to the source of the investment.

“Federal Securities” means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Fiscal Agent, as shall be certified by the District to the Fiscal Agent:

(a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as “stripped” obligations and coupons;

(b) any of the following obligations of the following agencies of the United States of America: (a) direct obligations of the Export-Import Bank, (b) certificates of beneficial ownership issued by the Farmers

Home Administration, (c) participation certificates issued by the General Services Administration, (d) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, (e) project notes issued by the United States Department of Housing and Urban Development, and (f) public housing notes and bonds guaranteed by the United States of America; or refunded municipal obligations, the timely payment of principal of and interest on are fully guaranteed by the United States of America.

“Fiscal Agent” means the Fiscal Agent appointed by the District and acting as an independent fiscal agent with the duties and powers provided in the Fiscal Agent Agreement, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the Fiscal Agent Agreement.

“Fiscal Year” means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

“Improvement Area No. 3” or “IA 3” means Improvement Area No. 3 of the District created pursuant to the Resolution of Formation.

“Improvement Fund” means the fund by that name established pursuant to the Fiscal Agent Agreement.

“Interest Account” means the account by that name established in the Bond Fund pursuant to the Fiscal Agent Agreement.

“Interest Payment Date” means March 1 and September 1 of each year, commencing March 1, 2019, with respect to the Bonds.

“Investment Earnings” means all interest earned and any gains and losses on the investment of moneys in any fund or account created by the Fiscal Agent Agreement.

“Legislative Body” means the City Council of the City.

“Maximum Annual Debt Service” means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds and Additional Bonds.

“Net Taxes” means Special Taxes less Administrative Expenses.

“Officer’s Certificate” means a written certificate of the District or the City signed by an Authorized Officer of the City.

“Ordinance” means any ordinance of the City levying the Special Taxes, including Ordinance No. 1310, adopted January 27, 2015.

“Original Purchaser” means, with respect to the Bonds, the Authority, and with respect to an issue of Additional Bonds, the initial purchaser of such Additional Bonds.

“Outstanding” when used as of any particular time with reference to Bonds and Additional Bonds, means (subject to the provisions of the Fiscal Agent Agreement) all Bonds and Additional Bonds except: (i) Bonds and Additional Bonds previously canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds and Additional Bonds paid or deemed to have been paid within the meaning of the Fiscal Agent Agreement; and (iii) Bonds and Additional Bonds in lieu of or in substitution for which other Bonds and/or Additional Bonds shall have been authorized, executed, issued and delivered by the District pursuant to the Fiscal Agent Agreement or any Supplemental Agreement.

“Owner” or “Bond Owner” means any person who shall be the registered owner of any Outstanding Bond and/or Additional Bonds, as the case may be.

“Participating Underwriter” means any of the original underwriter(s) of the Authority Bonds required to comply with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, in connection with the offering of the Authority Bonds.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State and the City’s or District’s investment policies for the moneys proposed to be invested therein (the Fiscal Agent is entitled to rely on written investment direction of the District as a determination that such investment is a legal investment), but only to the extent that the same are acquired at Fair Market Value:

- (a) Federal Securities
- (b) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) obligations of the Federal Financing Bank; (iv) debentures of the Federal Housing Administration; (v) participation certificates of the General Services Administration; (vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (vii) guaranteed Title XI financings of the U.S. Maritime Administration; and (viii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development;
- (c) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States government agencies (stripped securities are only permitted if they have been stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal); (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations (but only the interest component of stripped obligations) of the Resolution Funding Corporation; and (vi) consolidated system-wide bonds and notes of the Farm Credit System;
- (d) money-market funds (including funds of the Fiscal Agent or its affiliates) registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of “AAAm-G,” “AAAm,” or “AAm,” or, if rated by Moody’s, rated “Aaa-mf,” “Aa-mf” or “A-mf;”
- (e) certificates of deposit secured at all times by collateral described in (a) or (b) above, which have a maturity of one year or less, which are issued by commercial banks, savings and loan associations or mutual savings banks, and such collateral must be held by a third party, and the Fiscal Agent must have a perfected first security interest in such collateral;
- (f) certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Fiscal Agent and its affiliates) which are fully insured by the Federal Deposit Insurance Corporation;
- (g) investment agreements, including guaranteed investment contracts, forward purchase agreements and Reserve Account put agreements, which are general obligations of an entity whose long term

debt obligations, or claims paying ability, respectively, is rated in one of the two highest rating categories by Moody's or S&P;

(h) commercial paper rated, at the time of purchase, "Prime-1" by Moody's and "A 1" or better by S&P;

(i) bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies;

(j) deposit accounts, money market, federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P;

(k) repurchase agreements which provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Fiscal Agent and the transfer of cash from the Fiscal Agent to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Fiscal Agent in exchange for the securities at a specified date, which satisfy the following criteria:

(i) repurchase agreements must be between the Fiscal Agent and (A) a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the Securities Investors Protection Corporation which are rated "A" or better by Moody's and S&P, or (B) a bank rated "A" or better by Moody's and S&P;

(ii) the written repurchase agreement contract must include the following: (A) securities acceptable for transfer, which may be direct United States government obligations, or federal agency obligations backed by the full faith and credit of the United States government; (B) the term of the repurchase agreement may be up to 30 days; (C) the collateral must be delivered to the Fiscal Agent or a third party acting as agent for the Fiscal Agent simultaneous with payment (perfection by possession of certificated securities); (D) the Fiscal Agent must have a perfected first priority security interest in the collateral; (E) the collateral must be free and clear of third-party liens and, in the case of a broker which falls under the jurisdiction of the Securities Investors Protection Corporation, are not subject to a repurchase agreement or a reverse repurchase agreement; (F) failure to maintain the requisite collateral percentage, after a two-day restoration period, will require the Fiscal Agent to liquidate the collateral; and (G) the securities must be valued weekly, marked-to-market at current market price plus accrued interest and the value of collateral must be equal to 104% of the amount of cash transferred by the Fiscal Agent to the dealer bank or securities firm under the repurchase agreement plus accrued interest (unless the securities used as collateral are obligations of the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, in which case the collateral must be equal to 105% of the amount of cash transferred by the Fiscal Agent to the dealer bank or securities firm under the repurchase agreement plus accrued interest). If the value of securities held as collateral falls below 104% of the value of the cash transferred by the Fiscal Agent, then additional cash and/or acceptable securities must be transferred; and

(iii) a legal opinion must be delivered to the Fiscal Agent to the effect that the repurchase agreement meets guidelines under state law for legal investment of public funds; and

(l) the Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Fiscal Agent is authorized to register such investment in its name.

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

"Principal Account" means the account by that name established in the Bond Fund pursuant to the Fiscal Agent Agreement.

“Record Date” means the fifteenth day of the month next preceding the month of the applicable Interest Payment Date.

“Redemption Fund” means the fund by that name established by the Fiscal Agent Agreement.

“Redemption Revenues” means (a) any amounts transferred pursuant to the Authority Indenture for the redemption of Bonds or pursuant to an Additional Authority Indenture for the redemption of Additional Bonds, (b) amounts transferred from the Delinquency Management Fund for the redemption of Bonds or Additional Bonds, and (c) any amounts deposited for the Special Mandatory Redemption from Prepayment of Special Taxes or Optional Redemption of Bonds or Additional Bonds pursuant to the Fiscal Agent Agreement.

“Registration Books” means the records maintained by the Fiscal Agent pursuant to the Fiscal Agent Agreement for the registration and transfer of ownership of the Bonds and Additional Bonds.

“Reserve Account” means the account by that name established pursuant to the Authority Indenture.

“Resolution” means the resolution authorizing the issuance of the Bonds adopted by the Legislative Body on October 30, 2018, as now in effect or as it may later be amended from time to time, and any resolution adopted by the Legislative Body with respect to a series of Additional Bonds, as such resolution is in effect or may be amended from time to time.

“Resolution of Formation” means Resolution No. 4798 adopted by the Legislative Body on January 13, 2015, as now in effect or as it may later be amended from time to time.

“RMA” means the Rate and Method of Apportionment for the levy of the Special Tax for Improvement Area No. 3 of the District.

“S&P” means S&P Global Ratings, Inc, and its successors.

“Special Tax Fund” means the fund by that name established by the Fiscal Agent Agreement.

“Special Tax Revenues” means (a) the proceeds of the Special Taxes received by the District pursuant to the RMA, including any scheduled payments and any prepayments thereof and interest thereon, (b) income and gains with respect to the investment of amounts on deposit in the funds and accounts established under the Fiscal Agent Agreement for the Bonds and Additional Bonds and (c) proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes. Notwithstanding the foregoing, “Special Tax Revenues” does not include any penalties or interest in excess of the interest payable on the Bonds or Additional Bonds collected in connection with delinquent Special Taxes.

“Special Taxes” means the special taxes levied within Improvement Area No. 3 of the District pursuant to the Act, the Ordinance, the Fiscal Agent Agreement and the RMA.

“State” means the State of California.

“Supplemental Agreement” means an agreement the execution of which is authorized by a resolution which has been duly adopted by the Legislative Body of the District under the Act and which agreement is amendatory of or supplemental to the Fiscal Agent Agreement, but only if and to the extent that such agreement is specifically authorized under the Fiscal Agent Agreement.

“Tax Certificate” means, with respect to the Authority Bonds, the Tax Certificate, dated the date of issuance of the Authority Bonds, as originally executed and as it may from time to time be amended or supplemented pursuant to its terms.

“Treasurer” means the person who is acting in the capacity as treasurer or finance director to the City.

Redemption of Bonds

(a) Optional Redemption. The Bonds are subject to redemption prior to maturity at the option of the District from any source of funds, as a whole or in part, on any Interest Payment Date on or after September 1, 20__, as selected by the District, upon direction of the Authority, at the redemption prices and schedules applicable to the Authority Bonds. The District must abide by the priority of redemption relating to the Authority Bonds permitted by the Authority Indenture.

(b) Special Mandatory Redemption from Prepayment of Special Taxes and from Surplus Funds. The Bonds are also be subject to mandatory redemption on any Interest Payment Date on or after September 1, 20__, in whole or in part as selected by the District, from amounts constituting prepayments of Special Taxes, and from amounts transferred from the Delinquency Management Fund under the Fiscal Agent Agreement at the following redemption prices (expressed as a percentage of the principal amount of Bonds to be redeemed) together with accrued interest thereon to the redemption date:

<u>Redemption Periods</u>	<u>Redemption Price</u>
March 1, 20__ and March 1, 20__	%
September 1, 20__ and March 1, 20__	%
September 1, 20__ and March 1, 20__	%
September 1, 20__ and any Interest Payment Date thereafter	%

(i) (c) Mandatory Sinking Payment Redemption. The Bonds maturing September 1, 20__ and September 1, 20__, are subject to mandatory redemption in part by lot, on September 1 in each year, commencing September 1, 20__ and September 1, 20__, respectively, from mandatory sinking payments made by the District at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date of redemption in the aggregate principal amounts and on September 1 in the respective years as set forth in the following schedule; provided, however, that (i) in lieu of redemption thereof, such Bonds may be purchased by the District and tendered to the Fiscal Agent and the Fiscal Agent will cancel such tendered Bonds, and (ii) if some but not all of such Bonds have been redeemed pursuant to the redemption provisions described in subsections (a) above or (c) below, the total amount of all future mandatory sinking payments will be reduced by the aggregate principal amount of such Bonds so redeemed, to be allocated among such mandatory sinking payments as determined by the Authority in connection with the Authority Bonds relating to the Bonds or on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as determined by the District.

BONDS MATURING SEPTEMBER 1, 20__
September 1 **Principal**
(Year) **Amount**

*Maturity

BONDS MATURING SEPTEMBER 1, 20__
September 1 **Principal**
(Year) **Amount**

*Maturity

Special Taxes Receipt Fund and Special Tax Fund

(a) Establishment of Special Taxes Receipt Fund and Special Tax Fund. The City has established a fund known as the “Special Taxes Receipt Fund” (in which it will create an account for each district within the City). The City will deposit Special Taxes when received in the account established for the District (and in subaccounts with respect to each improvement area) and immediately transfer such amounts to the Fiscal Agent for deposit in the Special Tax Fund. Notwithstanding the previous sentence, any Special Taxes received by the City and prior to the Closing Date will be deposited into the Special Tax Receipt Fund and will be transferred to the Fiscal Agent for deposit in the Special Tax Fund after the Closing Date, but no later than _____ 15, 20___. Pursuant to the Fiscal Agent Agreement, there is established as a separate fund to be held by the Fiscal Agent, the “Special Tax Fund,” to the credit of which the Fiscal Agent, on behalf of the District, will deposit, immediately upon receipt, all Special Tax Revenues received by the District or the City on behalf of Improvement Area No. 3 of the District. Moneys in the Special Tax Fund will be held in trust by the Fiscal Agent for the benefit of the District and the Owners of the Bonds and Additional Bonds, will be disbursed as provided below and, pending any disbursement, will be subject to a lien in favor of the Owners of the Bonds and Additional Bonds.

(b) Disbursements. After depositing an amount of Special Tax Revenues budgeted for Administrative Expenses to the Administrative Expense Fund pursuant to a written direction of the District, no later than ten (10) Business Days prior to each Interest Payment Date, the Fiscal Agent will withdraw from the Special Tax Fund and transfer to the Bond Fund as follows:

(i) To the Interest Account of the Bond Fund, an amount such that the balance in the Interest Account will be equal to the installment of interest due on the Bonds and Additional Bonds on said Interest Payment Date.

(ii) To the Principal Account of the Bond Fund, an amount such that the balance in the Principal Account will at least equal the principal payment (including mandatory sinking payments, if any) due on the Bonds on said Interest Payment Date.

Notwithstanding the foregoing, amounts will be transferred to the Principal Account or the Interest Account from the Special Tax Fund and immediately be paid to the Owners of the Bonds and Additional Bonds in respect of past due payments on the Bonds and Additional Bonds.

(c) Investment. Moneys in the Special Tax Fund will be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from such investment and deposit will be retained in the Special Tax Fund to be used for the purposes of the Special Tax Fund.

(d) Disposition of Surplus. On September 2 of each year, commencing September 2, 20__, the Fiscal Agent will transfer any amounts remaining in the Special Tax Fund following payment of each disbursement required pursuant to subsection (b) above, to the Delinquency Management Fund.

Administrative Expense Fund

(a) Establishment of Administrative Expense Fund. There is established as a separate fund to be held by the Fiscal Agent, the “Administrative Expense Fund,” to the credit of which the amount budgeted and levied for Administrative Expenses will be made. Moneys in the Administrative Expense Fund will be held by the Fiscal Agent for the benefit of the District, and will be disbursed as provided in the Fiscal Agent Agreement.

(b) Disbursement. Amounts in the Administrative Expense Fund will be withdrawn by the Fiscal Agent and paid to the District or the City or its order upon receipt by the Fiscal Agent of an Officer’s Certificate stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense, and the nature of such Administrative Expense.

Annually, at least five (5) days prior to the last day of each Bond Year, the Fiscal Agent will withdraw any amounts then remaining in the Administrative Expense Fund that have not been allocated to pay Administrative Expenses incurred but not yet paid, and which are not otherwise encumbered or expected to be needed for the purposes of such fund, and transfer such amounts to the Special Tax Fund.

(c) Investment. Moneys in the Administrative Expense Fund will be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from said investment will be retained in the Administrative Expense Fund to be used for the purposes of such fund.

Delinquency Management Fund

(a) Establishment of Delinquency Management Fund. There is established as a separate fund to be held by the Fiscal Agent, the “Delinquency Management Fund,” to the credit of which a deposit will be made as required by the Fiscal Agent Agreement. Moneys in the Delinquency Management Fund will be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds and Additional Bonds, and will be disbursed as provided below. In no event will any Bond proceeds be deposited in the Delinquency Management Fund.

(i) The Fiscal Agent will transfer to the appropriate accounts within the Bond Fund to pay debt service on the Bonds to the extent Special Taxes are insufficient for such purpose.

(ii) The Fiscal Agent will transfer from any amounts in the Delinquency Management Fund in excess of the Delinquency Management Fund Requirement to the Administrative Expense Fund in an amount determined by the District to pay Administrative Expenses to the extent amounts in the Administrative Expense Fund are insufficient therefor.

(iii) Upon written direction of the District, the Fiscal Agent will transfer all remaining amounts in the Delinquency Management Fund in excess of the Delinquency Management Fund Requirement on the next redemption date for which notice of redemption can timely be given to the Special Mandatory Redemption Account of the Redemption Fund for redemption of the Bonds unless the Fiscal Agent has received written direction from the District to expend such remaining funds held in the Delinquency Management Fund for any lawful purposes of the District including, but not limited to, paying costs of public capital improvements or reducing the Special Taxes which are to be levied in the current or the succeeding Fiscal Year upon the properties which are subject to the Special Tax.

(b) Investment. Moneys in the Delinquency Management Fund will be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from said investment will be retained in the Delinquency Management Fund to be used for the purposes of such fund.

Redemption Fund

(a) Establishment of the Redemption Fund. There is established as a separate fund to be held by the Fiscal Agent, the “Redemption Fund” (in which there will be established and created an Optional Redemption Account and a Special Mandatory Redemption Account), to the credit of which the District or the City, on behalf of the District, will deposit, immediately upon receipt, all Redemption Revenues received by the District or the City on behalf of the District. Moneys in the Redemption Fund will be held in trust by the Fiscal Agent for the benefit of the District and the Owners of the Bonds and Additional Bonds, will be disbursed as provided below and, pending any disbursement, will be subject to a lien in favor of the Owners of the Bonds and Additional Bonds.

(b) Disbursement.

(i) All prepayments of Special Taxes, and amounts transferred from the Delinquency Management Fund for the redemption of Bonds and Additional Bonds or transferred from the Authority under

the Authority Indenture or an Additional Authority Indenture for the redemption of Bonds and Additional Bonds will be deposited in the Special Mandatory Redemption Account to be used to redeem the Bonds and Additional Bonds on the next date for which notice of redemption can timely be given.

(ii) Any amounts transferred for the optional redemption of Bonds and Additional Bonds will be deposited into the Optional Redemption Account to be used to redeem Bonds and Additional Bonds (as applicable) on the next date for which notice of redemption can timely be given.

(c) Investment. Moneys in the Redemption Fund will be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from said investment will be retained in the Redemption Fund to be used for the purposes of such fund.

Improvement Fund

(a) Establishment of Improvement Fund. There is established a separate fund to be held by the Fiscal Agent, the Improvement Fund, to the credit of which a deposit will be made as required by the Fiscal Agent Agreement. Moneys in the Improvement Fund will be held in trust by the Fiscal Agent for the benefit of the City and the District and will be disbursed, except as otherwise provided in the Fiscal Agent Agreement, for the payment or reimbursement of costs of Facilities.

(b) Disbursement. Disbursements from the Improvement Fund will be made by the Fiscal Agent upon receipt of an Officer's Certificate 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 District notice of any lien, right to lien or attachment, 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.

(c) Investment. Moneys in the Improvement Fund will be invested and deposited by the Fiscal Agent in accordance with the Fiscal Agent Agreement. Interest earnings and profits from such investment and deposit will be retained until all Facilities have been fully funded and will upon closing the Improvement Fund will be transferred for deposit in the Bond Fund to be used for the purposes of such fund.

(d) Closing of Fund. Upon the filing of an Officer's Certificate executed by the Treasurer stating that all costs of the Facilities have been paid or are not required to be paid from the Improvement Fund, the Fiscal Agent will transfer the amount, if any, remaining in the Improvement Fund to the Bond Fund for application to the payment of Bonds, and the Improvement Fund will be closed.

Pledge of Special Tax Revenues

The Bonds and Additional Bonds will be secured by a first pledge (which pledge will be effected in the manner and to the extent as provided under the Fiscal Agent Agreement) of all of the Special Tax Revenues and Redemption Revenues and all moneys deposited in the Bond Fund and, until disbursed, as provided in the Fiscal Agent Agreement, in the Special Tax Fund, the Redemption Fund and the Delinquency Management Fund. The Special Tax Revenues and all moneys deposited into said funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on the Bonds and Additional Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the Bonds and Additional Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose in accordance with the Fiscal Agent Agreement.

Amounts in the Administrative Expense Fund and the Improvement Fund are not pledged to the repayment of the Bonds and/or Additional Bonds. The Facilities financed or refinanced with the proceeds of the

Bonds and Additional Bonds are not in any way pledged to pay the Debt Service on the Bonds and Additional Bonds. Any proceeds of condemnation or destruction of any Facilities financed or refinanced with the proceeds of the Bonds and Additional Bonds are not pledged to pay the Debt Service on the Bonds and Additional Bonds and are free and clear of any lien or obligation imposed under the Fiscal Agent Agreement.

Bond Fund

(a) Establishment of Bond Fund. There is established as a separate fund to be held by the Fiscal Agent known as the “Bond Fund” (in which there will be established and created an Interest Account and a Principal Account) to the credit of which deposits will be made as required by the Fiscal Agent Agreement, and any other amounts required to be deposited by the Fiscal Agent Agreement, a Supplemental Agreement or the Act. Moneys in the Bond Fund will be held by the Fiscal Agent for the benefit of the Owners of the Bonds and Additional Bonds, will be disbursed for the payment of the principal of (including mandatory sinking payments, if any) and interest on the Bonds and Additional Bonds as provided in the Fiscal Agent Agreement, and, pending such disbursement, will be subject to a lien in favor of the Owners of the Bonds and Additional Bonds.

(b) Disbursements. On each Interest Payment Date, the Fiscal Agent will withdraw from the Principal Account and the Interest Account and pay to the Owners of the Bonds and Additional Bonds the principal of (including mandatory sinking payments, if any) and interest on the Bonds and Additional Bonds, respectively; provided that available amounts in the Principal Account and the Interest Account will first be used to pay any past due installments of principal of (including mandatory sinking payments, if any) and interest on the Bonds and Additional Bonds, respectively. Notwithstanding the foregoing, amounts transferred to the Principal Account or the Interest Account from the Special Tax Fund constituting delinquent payments of Special Taxes pursuant to the Fiscal Agent Agreement will immediately be paid to the Owners of the Bonds and Additional Bonds in respect of past due payments on the Bonds and Additional Bonds.

Any installment of principal (including mandatory sinking payments, if any) or interest on the Bonds and Additional Bonds which is not paid when due will accrue interest at the rate of interest on the Bonds and Additional Bonds until paid, and will be paid whenever funds in the Bond Fund are sufficient to pay such installment.

If at any time the Fiscal Agent fails to pay principal and interest due on any scheduled payment date for the Bonds, the Fiscal Agent will notify the District and the Treasurer in writing of such failure, and the Treasurer will notify the CDIAC of such failure within 10 days of the failure to make such payment, as required by Section 53359(c)(1) of the Act.

(c) Investment. Moneys in the Bond Fund will be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from the investment and deposit of amounts in the Bond Fund will be retained in the Bond Fund.

Additional Bonds Prohibited

Other than for refunding purposes, no Additional Bonds entitled to a lien on the Special Tax Revenues will be issued under the Fiscal Agent Agreement.

Covenants

Punctual Payment. The District will punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds and Additional Bonds when and as due in strict conformity with the terms of the Fiscal Agent Agreement and any Supplemental Agreement, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Fiscal Agent Agreement and all Supplemental Agreements and of the Bonds and Additional Bonds.

Limited Obligation. The Bonds and Additional Bonds are limited obligations of the District and are payable solely from and secured solely by the Special Tax Revenues and the amounts in the Bond Fund, the Special Tax Fund, the Redemption Fund, and the Delinquency Management Fund created under the Fiscal Agent Agreement, and do not constitute a debt or liability of the City, the State or of any political subdivision thereof.

Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the District will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and Additional Bonds and will not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest will be extended or funded, whether or not with the consent of the District, such claim for interest so extended or funded will not be entitled, in case of default under the Fiscal Agent Agreement, to the benefits of the Fiscal Agent Agreement, except subject to the prior payment in full of the principal of all of the Bonds and Additional Bonds then Outstanding and of all claims for interest which will not have been so extended or funded. Nothing in the Fiscal Agent Agreement will be deemed to limit the right of the District to issue bonds for the purpose of refunding any Outstanding Bonds and Additional Bonds, and such issuance will not be deemed to constitute an extension of maturity of the Bonds and Additional Bonds.

Against Encumbrances. The District will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues, or other amounts pledged to the Bonds and Additional Bonds superior to or on a parity with the pledge and lien created in the Fiscal Agent Agreement for the benefit of the Bonds and Additional Bonds, except as permitted by the Fiscal Agent Agreement.

Books and Records. The District will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the District, in which complete and correct entries will be made of all transactions relating to the expenditure of amounts disbursed from the Administrative Expense Fund and the Special Tax Fund and relating to the Special Tax Revenues. Such books of record and accounts will at all times during business hours and upon reasonable prior notice be subject to the inspection of the Fiscal Agent (who has no duty to inspect) and the Owners of not less than ten percent (10%) of the principal amount of the Bonds and Additional Bonds then Outstanding, or their representatives duly authorized in writing.

The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which accurate entries will be made of all transactions relating to the expenditure of amounts disbursed from the Bond Fund and the Costs of Issuance Fund. Such books of record and accounts will at all times during business hours and upon reasonable prior notice be subject to the inspection of the City, the District and the Owners of not less than ten percent (10%) of the principal amount of the Bonds and Additional Bonds then Outstanding, or their representatives duly authorized in writing.

Protection of Security and Rights of Owners. The District will preserve and protect the security of the Bonds and Additional 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 and Additional Bonds by the District, the Bonds and Additional Bonds will be incontestable by the District. In furtherance of the foregoing, the District will not approve any reduction of the Assigned Special Taxes as provided in the RMA which would prohibit the District from levying the Special Taxes in any Fiscal Year at a level that would generate Net Taxes at least equal to 110% of annual debt service in such Fiscal Year for the Bonds and any Additional Bonds expected to be issued.

Compliance with Law, Completion of Facilities. The District and the City will comply with all applicable provisions of the Act and law in completing the acquisition and construction of the Facilities.

Collection of Special Tax Revenues. The District will comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

The Treasurer will effect the levy of the Special Taxes each Fiscal Year on the parcels within Improvement Area No. 3 of the District in accordance with its RMA, such that the computation of the levy is complete before the final date on which the Auditor will accept the transmission of the Special Tax amounts for the parcels within Improvement Area No. 3 of the District for inclusion on the next secured tax roll. Upon the completion of the computation of the amounts of the levy, the Treasurer will prepare or cause to be prepared, and will transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next secured tax roll. The Special Taxes so levied will be payable and be collected in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property, unless otherwise provided by the District.

In the event that the Treasurer determines to levy all or a portion of the Special Taxes by means of direct billing of the property owners of the parcels within Improvement Area No. 3 of the District, the Treasurer will, not less than forty-five (45) days prior to each Interest Payment Date, send bills to the owners of such real property located within Improvement Area No. 3 of the District subject to the levy of the Special Taxes for Special Taxes in an aggregate amount necessary to meet the financial obligations of the District due on the next Interest Payment Date, said bills to specify that the amounts so levied will be due and payable not less than thirty (30) days prior to such Interest Payment Date and will be delinquent if not paid when due.

In any event, the Treasurer will fix and levy the amount of Special Taxes within the District required (i) for the payment of principal of and interest on any Outstanding Bonds and Additional Bonds of the District becoming due and payable during the ensuing year (taking into consideration anticipated delinquencies), and (ii) to pay the Administrative Expenses during such year, all in accordance with the RMA and the Ordinance. The Special Taxes so levied will not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

The Treasurer is authorized to employ consultants to assist in computing the levy of the Special Taxes under the Fiscal Agent Agreement and any reconciliation of amounts levied to amounts received. The fees and expenses of such consultants and the costs and expenses of the Treasurer (including a charge for City or District staff time) in conducting its duties under the Fiscal Agent Agreement will be an Administrative Expense under the Fiscal Agent Agreement.

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

Tax Covenants. The District covenants that it will not use, and will not permit the use of, and will not omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, could cause the interest on any Authority Bond to fail to be excluded pursuant to section 103(a) of the Code from the gross income of the owner thereof for federal income tax purposes.

Covenant to Foreclose. The District will review the public records of the County of Riverside, California, in connection with the collection of the Special Tax not later than October 30 of each year to determine the amount of Special Tax collected in the prior Fiscal Year; and with respect to individual delinquencies, the District will send or cause to be sent a notice of delinquency and a demand for immediate payment thereof to the property owner within 45 days of such determination, and if the District determines that any single property owner subject to the Special Tax is delinquent in the payment of Special Taxes in the aggregate of \$5,000 or more or delinquent in the payment of three consecutive installments of Special Tax or that the delinquent Special Taxes represent more than 5% of the aggregate Special Taxes levied within the District or if there has been a draw on the funds on deposit in the Reserve Account established under the

Authority Indenture, and if the delinquency remains uncured, the District will cause judicial foreclosure proceedings to be filed in the superior court within ninety (90) days of the notice to the property owner against all properties for which the Special Taxes remain delinquent. Prior to commencement of any judicial foreclosure proceedings, the District will continue with its efforts to collect the delinquent Special Taxes by sending subsequent notice of delinquency and a demand for immediate payment thereof.

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

Notwithstanding any provision of the Act or other law of the State to the contrary, in connection with any foreclosure related to delinquent Special Taxes:

(a) The City, or the Fiscal Agent, is expressly authorized to credit bid at any foreclosure sale, without any requirement that funds be placed in the Bond Fund or otherwise be set aside in the amount so credit bid, in the amount specified in Section 53356.5 of the Act, or such less amount as determined under clause (b) below or otherwise under Section 53356.6 of the Act.

(b) The District may permit, in its sole and absolute discretion, property with delinquent Special Tax payments to be sold for less than the amount specified in Section 53356.5 of the Act, if it determines that such sale is in the interest of the Bond Owners. The Bond Owners, by their acceptance of the Bonds and Additional Bonds, consent to such sale for such lesser amounts (as such consent is described in Section 53356.6 of the Act), and release the District and the City, and their respective officers and agents from any liability in connection with the sale.

(c) The District is expressly authorized to use amounts in the Special Tax Fund to pay costs of foreclosure of delinquent Special Taxes.

(d) The District may forgive all or any portion of the Special Taxes levied or to be levied on any parcel in the District, so long as the District determines that such forgiveness is not expected to adversely affect its obligation to pay principal of and interest on the Bonds and Additional Bonds under the Fiscal Agent Agreement.

Annual Reports to CDIAC. Not later than October 30 of each year, commencing October 30, 2019 and until the October 30 following the final maturity of the Bonds, the Treasurer will supply the information required by Section 53359.5(b) or (c) of the Act to CDIAC (on such forms as CDIAC may specify) and the District. The District will on or prior to January 31, 2020 and each January 1 thereafter, submit an annual debt transparency report to CDIAC as required by Government Code Section 8555(k) in the form provided by CDIAC. There are no outstanding Bonds in Fiscal Year 17-18.

Continuing Disclosure to Owners. In addition to its obligations under the Fiscal Agent Agreement, the District covenants and agrees to carry out all of its obligations under the Continuing Disclosure Agreement relating to the Authority Bonds and any continuing disclosure agreement entered into with respect to any Additional Authority Bonds, if any. Notwithstanding any other provision of the Fiscal Agent Agreement, failure of the District to comply with the Continuing Disclosure Agreement(s) will not be considered a default under the Indenture; however, any Participating Underwriter or any holder or beneficial owner of the Authority Bonds and Additional Authority Bonds may take such actions as may be necessary and appropriate to compel performance by the District of its obligations under the Fiscal Agent Agreement, including seeking mandate or specific performance by court order.

Reserve Account Replenishment. The District covenants that to the extent there is a draw upon the

Reserve Account pursuant to the Authority Indenture or the Additional Authority Indenture as a result of a delinquency in the collection of Special Taxes or that the Reserve Account is underfunded, the District will cause the Treasurer to effect the next annual levy of Special Taxes in an amount sufficient to replenish such delinquency in addition to those required by the Fiscal Agent Agreement and in addition to amounts that would be levied if there were no such delinquency; provided, however, the amount of Special Taxes levied will not exceed the maximum permitted by the Ordinance and RMA. At any time the Fiscal Agent may transfer funds from the Delinquency Management Fund to the trustee under the Authority Indenture to fund a delinquency in the Reserve Account under the Fiscal Agent Agreement.

Investments; Disposition of Investment Proceeds; Liability of the District

Deposit and Investment of Moneys in Funds. Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent will be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days, in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent will invest any such moneys in money market funds permitted under the Indenture to the extent practicable which by their terms mature prior to the date on which such moneys are required to be paid out under the Fiscal Agent Agreement, or are held uninvested. The Treasurer will make note of any investment of funds under the Fiscal Agent Agreement in excess of the yield on the Bonds and Additional Bonds, as applicable, so that appropriate actions can be taken to assure compliance with the Fiscal Agent Agreement.

Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Treasurer will be invested by the Treasurer in Permitted Investments, which in any event by their terms mature prior to the date on which such moneys are required to be paid out under the Fiscal Agent Agreement. Obligations purchased as an investment of moneys in any fund will be deemed to be part of such fund or account, subject, however, to the requirements of the Fiscal Agent Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts. Whenever in the Fiscal Agent Agreement any moneys are required to be transferred by the District to the Fiscal Agent, such transfer may be accomplished by transferring a like amount of Permitted Investments.

The Fiscal Agent or an affiliate or the Treasurer may act as principal or agent in the acquisition or disposition of any investment and will be entitled to its customary fee. Neither the Fiscal Agent nor the Treasurer will incur any liability for losses arising from any investments made pursuant to the Fiscal Agent Agreement. For purposes of determining the amount on deposit in any fund or account held under the Fiscal Agent Agreement, all Permitted Investments or investments credited to such fund or account will be valued at the cost of the Permitted Investment (excluding accrued interest and brokerage commissions, if any).

Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund, or account created by or pursuant to the Fiscal Agent Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) will be acquired, disposed of, and valued (as of the date that valuation is required by the Fiscal Agent Agreement or the Code) at Fair Market Value. Notwithstanding the previous sentence, investments in funds or accounts (or portions of investments in funds or accounts) that are subject to a yield restriction under the applicable provisions of the Code will be valued at their present value (within the meaning of section 148 of the Code). The Fiscal Agent will not be liable for verification of the application of such sections of the Code.

Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions in the Fiscal Agent Agreement for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent or the Treasurer under the Fiscal Agent Agreement, provided that the Fiscal Agent or the Treasurer, as applicable, will at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Fiscal Agent Agreement.

The Fiscal Agent or the Treasurer, as applicable, will sell at the highest price reasonably obtainable, or present for redemption, any investment security whenever it will be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Treasurer will be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance with the Fiscal Agent Agreement.

Limited Obligation. The District's obligations under the Fiscal Agent Agreement are limited obligations of the District and are payable solely from and secured solely by the Special Tax Revenues and the amounts in the Special Tax Fund and the Bond Fund.

Liability of District. The District will not incur any responsibility in respect of the Bonds and Additional Bonds or the Fiscal Agent Agreement other than in connection with the duties or obligations explicitly in the Fiscal Agent Agreement or in the Bonds and Additional Bonds assigned to or imposed upon it. The District will not be liable in connection with the performance of its duties under the Fiscal Agent Agreement, except for its own negligence or willful default. The District will not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Fiscal Agent in the Fiscal Agent Agreement or of any of the documents executed by the Fiscal Agent in connection with the Bonds and Additional Bonds, or as to the existence of a default or event of default under the Fiscal Agent Agreement.

In the absence of bad faith, the District, including the Treasurer, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed in the Fiscal Agent Agreement, upon certificates or opinions furnished to the District and conforming to the requirements of the Fiscal Agent Agreement. The District, including the Treasurer, will not be liable for any error of judgment made in good faith unless it will be proved that it was negligent in ascertaining the pertinent facts.

No provision of the Fiscal Agent Agreement will require the City or District to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Special Tax Revenues) in the performance of any of its obligations under the Fiscal Agent Agreement, or in the exercise of any of its rights or powers, if it will have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The District may rely and will be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The District may consult with counsel, who may be the City Attorney, with regard to legal questions, and the written opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it under the Fiscal Agent Agreement in good faith and in accordance with the Fiscal Agent Agreement.

The District will not be bound to recognize any person as the Owner of a Bond or Additional Bond unless and until such Bond or Additional Bond is submitted for inspection, if required, and his title thereto established, if disputed.

Whenever in the administration of its duties under the Fiscal Agent Agreement the District will deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Fiscal Agent Agreement, such matter (unless other evidence in respect of such matter be in the Fiscal Agent Agreement specifically prescribed) may, in the absence of willful misconduct on the part of the District, be deemed to be conclusively proved and established by a certificate of the Fiscal Agent, and such certificate will be full warranty to the District for any action taken or suffered under the provisions of the Fiscal Agent Agreement or any Supplemental Agreement upon the faith of the Fiscal Agent, but in its discretion the District may instead accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Employment of Agents by District or the City. In order to perform their respective duties and obligations under the Fiscal Agent Agreement, the City, the District and/or the Treasurer may employ such persons or entities as they deem necessary or advisable. The City, the District and/or the Treasurer will not be liable for any of the acts or omissions of such persons or entities employed by them in good faith under the Fiscal Agent Agreement, and will be entitled to rely, and will be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

Events of Default and Remedies of Bond Owners

Events of Default. The following events will be Events of Default:

(a) Failure to pay any installment of principal of any Bonds and Additional Bonds when and as the same will become due and payable whether at maturity as in the Fiscal Agent Agreement expressed, by proceedings for redemption or otherwise.

(b) Failure to pay any installment of interest on any Bond or Additional Bond when and as the same will become due and payable.

(c) Failure by the District to observe and perform any of the other covenants, agreements or conditions on its part in the Fiscal Agent Agreement or in the Bonds or Additional Bonds contained, if such failure will have continued for a period of 60 days after written notice of such failure, specifying such failure and requiring the same to be remedied, will have been given to the District by the Fiscal Agent or the Owners of not less than 25% in aggregate principal amount of the Bonds and Additional Bonds at the time Outstanding; provided, however, if in the reasonable opinion of the District the failure stated in the notice can be corrected, but not within such 60-day period, such failure will not constitute an Event of Default if corrective action is instituted by the District within such 60-day period and the District will diligently and in good faith cure such failure in a reasonable period of time.

(d) Commencement by the District of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

(e) Default under a Supplemental Agreement securing the issuance of Additional Bonds.

Remedies of Bond Owners. Subject to the provisions of the Fiscal Agent Agreement, any Bond Owner will have the right, for the equal benefit and protection of all Bond Owners similarly situated:

(a) by mandamus, suit, action or proceeding, to compel the District and its officers, agents, or employees to perform each and every term, provision and covenant contained in the Fiscal Agent Agreement and in the Bonds and Additional Bonds, and to require the carrying out of any or all such covenants and agreements of the District and the fulfillment of all duties imposed upon it by the Act;

(b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Bond Owners' rights; or

(c) upon the happening of any Event of Default, by suit, action or proceeding in any court of competent jurisdiction, to require the District and its officers and employees to account as if it and they were the trustees of an express trust.

Application of Special Taxes and Other Funds After Default. If an Event of Default will occur and be continuing, all Special Taxes, including any penalties, costs, fees and other charges accruing under the Act, and any other funds then held or later received by the Fiscal Agent under any of the provisions of the Fiscal Agent Agreement will be applied by the Fiscal Agent as follows and in the following order:

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

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

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

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

Any remaining funds will be transferred by the Fiscal Agent to the Bond Fund.

Absolute Obligation of the District. Nothing in the Fiscal Agent Agreement or in the Bonds and Additional Bonds contained will affect or impair the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the Bonds and Additional Bonds to the respective Owners of the Bonds and Additional Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Fiscal Agent Agreement, but only out of the Special Taxes and other moneys in the Fiscal Agent Agreement pledged for such payments and received by the District or the Fiscal Agent, or affect or impair, the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds and Additional Bonds.

Termination of Proceedings. In case any proceedings taken by any one or more Bond Owners on account of any Event of Default will have been discontinued or abandoned for any reason or will have been determined adversely to the Bond Owners, then in every such case the District, and the Bond Owners, subject to any determination in such proceedings, will be restored to their former positions and rights under the Fiscal Agent Agreement, and all rights, remedies, powers and duties of the City, and the Bond Owners will continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy in the Fiscal Agent Agreement conferred upon or reserved to the Fiscal Agent or to the Owners of the Bonds and Additional Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, will be cumulative and in addition to any other remedy given under the Fiscal Agent Agreement existing presently or in the future, at law or in equity or otherwise.

No Waiver of Default. No delay or omission of any Owner of the Bonds and Additional Bonds to exercise any right or power arising upon the occurrence of any default will impair any such right or power or will be construed to be a waiver of any such default or acquiescence in the Fiscal Agent Agreement; and every power and remedy given by the Fiscal Agent Agreement to the Owners of the Bonds and Additional Bonds may be exercised from time to time and as often as may be deemed expedient.

Actions by Fiscal Agent as Attorney-in-Fact. Any suit, action or proceeding which any Owner will

have the right to bring to enforce any right or remedy under the Fiscal Agent Agreement may be brought by the Fiscal Agent for the equal benefit and protection of all Owners, and the Fiscal Agent is appointed (and the successive respective Owners of the Bonds and Additional Bonds, by taking and holding the same, will be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the Owners as a class or classes, as may be necessary or advisable in the opinion of the Fiscal Agent as such attorney-in-fact.

Modification or Amendment of Fiscal Agent Agreement

Amendments Permitted. The Fiscal Agent Agreement and the rights and obligations of the District and of the Owners of the Bonds and Additional Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote, at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds and Additional Bonds then Outstanding, exclusive of Bonds and Additional Bonds disqualified as provided in the Fiscal Agent Agreement. No such modification or amendment will (i) extend the maturity of any Bond or reduce the interest rate on any Bond, or otherwise alter or impair the obligation of the District to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the District of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds and Additional Bonds (except as otherwise permitted by the Act, the laws of the State of California or the Fiscal Agent Agreement), or (iii) reduce the percentage of Bonds and Additional Bonds required for the amendment of the Fiscal Agent Agreement. Any such amendment may not modify any of the rights or obligations of the Fiscal Agent without its written consent.

The Fiscal Agent Agreement and the rights and obligations of the District and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for anyone or more of the following purposes:

(b) to add to the covenants and agreements of the District in the Fiscal Agent Agreement contained, other covenants and agreements later to be observed, or to limit or surrender any right or power in the Fiscal Agent Agreement reserved to or conferred upon the District;

(c) to make modifications not adversely affecting any Outstanding Bonds and Additional Bonds of the District in any material respect;

(d) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission of curing, correcting or supplementing any defective provision contained in the Fiscal Agent Agreement, or in regard to questions arising under the Fiscal Agent Agreement, as the District and the Fiscal Agent may deem necessary or desirable and not inconsistent with the Fiscal Agent Agreement, and which will not adversely affect the rights of the Owners of the Bonds and Additional Bonds in any material respect; or

(e) to make such additions, deletions or modifications as may be necessary or desirable to assure the exclusion from gross income for federal income tax purposes of interest on the Authority Bonds.

(f) to provide for the issuance of Additional Bonds in accordance with the provisions of the Fiscal Agent Agreement.

Owners' Meetings. The District may at any time call a meeting of the Owners. In such event the District is authorized to fix the time and place of said meeting and to provide for the giving of notice of such meeting, and to fix and adopt rules and regulations for the conduct of said meeting.

Procedure for Amendment with Written Consent of Owners. The District and the Fiscal Agent may at any time adopt a Supplemental Agreement amending the provisions of the Bonds and Additional Bonds or of

the Fiscal Agent Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by the Fiscal Agent Agreement, to take effect when and as provided in the Fiscal Agent Agreement. A copy of such Supplemental Agreement, together with a request to Owners for their consent to the Supplemental Agreement, will be mailed by first class mail by the Fiscal Agent to each Owner of Bonds and Additional Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request will not affect the validity of the Supplemental Agreement when assented to as provided in the Fiscal Agent Agreement.

Such Supplemental Agreement will not become effective unless there will be filed with the Fiscal Agent the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds and Additional Bonds then Outstanding (exclusive of Bonds and Additional Bonds disqualified as provided in the Fiscal Agent Agreement) and a notice will have been mailed as provided in the Fiscal Agent Agreement. Each such consent will be effective only if accompanied by proof of ownership of the Bonds and Additional Bonds for which such consent is given, which proof will be such as is permitted by the Fiscal Agent Agreement. Any such consent will be binding upon the Owner of the Bonds and Additional Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice provided for in the Fiscal Agent Agreement has been mailed.

After the Owners of the required percentage of Bonds and Additional Bonds will have filed their consents to the Supplemental Agreement, the District will mail a notice to the Owners in the manner provided in the Fiscal Agent Agreement for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and Additional Bonds and will be effective as provided in the Fiscal Agent Agreement (but failure to mail copies of said notice will not affect the validity of the Supplemental Agreement). Proof of the mailing of such notice will be filed with the Fiscal Agent. A record, consisting of the papers required by the Fiscal Agent Agreement to be filed with the Fiscal Agent, will be proof of the matters in the Fiscal Agent Agreement stated until the contrary is proved. The Supplemental Agreement will become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement will be deemed conclusively binding (except as otherwise specifically provided in the Fiscal Agent Agreement) upon the District and the Owners of all Bonds and Additional Bonds at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such 60-day period.

Disqualified Bonds and Additional Bonds. Bonds and Additional Bonds owned or held for the account of the City or the District, excepting any pension or retirement fund, will not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds and Additional Bonds provided for in the Fiscal Agent Agreement and will not be entitled to vote upon, consent to, or take any other action provided for in the Fiscal Agent Agreement.

Effect of Supplemental Agreement. From and after the time any Supplemental Agreement becomes effective, the Fiscal Agent Agreement will be deemed to be modified and amended in accordance with the Fiscal Agent Agreement, the respective rights, duties and obligations under the Fiscal Agent Agreement of the District and all Owners of Bonds and Additional Bonds Outstanding will later be determined, exercised and enforced under the Fiscal Agent Agreement subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Agreement will be deemed to be part of the terms and conditions of the Fiscal Agent Agreement for any and all purposes.

Endorsement or Replacement of Bonds and Additional Bonds Issued After Amendments. The District may determine that Bonds and Additional Bonds issued and delivered after the effective date of any action taken as provided in the Fiscal Agent Agreement will bear a notation, by endorsement or otherwise, in form approved by the District, as to such action. In that case, upon demand of the Owner of any Bonds and Additional Bond Outstanding at such effective date and presentation of his Bond and Additional Bond for that purpose at the Corporate Trust Office of the Fiscal Agent or at such other office as the District may select and

designate for that purpose, a suitable notation will be made on such Bond and Additional Bond. The District may determine that new Bonds and Additional Bonds, so modified as in the opinion of the District is necessary to conform to such Owners' action, will be prepared, executed and delivered. In that case, upon demand of the Owner of any Bonds and Additional Bonds then Outstanding, such new Bonds and Additional Bonds will be exchanged at the Corporate Trust Office of the Fiscal Agent without cost to any Owner, for Bonds and Additional Bonds then Outstanding, upon surrender of such Bonds and Additional Bonds.

Amendatory Endorsement of Bonds and Additional Bonds. The provisions of the Fiscal Agent Agreement will not prevent any Owner from accepting any amendment as to the particular Bonds and Additional Bonds held by him, provided that due notation of such amendments is made on such Bonds and Additional Bonds.

Opinion of Bond Counsel. In connection with any Supplemental Agreement, the Fiscal Agent will be entitled to receive an opinion of Bond Counsel that any such Supplemental Agreement is authorized or permitted by the Fiscal Agent Agreement and the Fiscal Agent may conclusively rely upon such opinion.

APPENDIX B
RATE AND METHOD OF
APPORTIONMENT OF SPECIAL TAX
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(AVELINA)
IMPROVEMENT AREA NO. 3

A Special Tax shall be levied on all Taxable Property within the boundaries of Improvement Area No. 3 of Community Facilities District No. 2014-1 (Avelina) of the City of Perris (“CFD No. 2014-1 IA3”) and collected each Fiscal Year commencing in Fiscal Year 2015-16, in an amount determined by the CFD Administrator through the application of the procedures described below. All of the real property within CFD No. 2014-1 IA3, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

1. DEFINITIONS

The terms hereinafter set forth have the following meanings:

“**Acre**” or “**Acreage**” means the land area of an Assessor’s Parcel as shown on an Assessor’s Parcel Map, or if the land area is not shown on an Assessor’s Parcel Map, the land area shown on the applicable Final Subdivision Map. An Acre means 43,560 square feet of land.

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

“**Administrative Expenses**” means the following actual or reasonably estimated costs related to the administration of CFD No. 2014-1 IA3 including, but not limited to: the costs of preparing and computing the Annual Special Tax (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the City, 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 City, CFD No. 2014-1 IA3, or any designee thereof complying with arbitrage rebate requirements, including without limitation rebate liability costs and periodic rebate calculations; the costs to the City, CFD No. 2014-1 IA3, or any designee thereof complying with disclosure or reporting requirements of the City or CFD No. 2014-1 IA3, associated with applicable federal and State laws; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs to the City, CFD No. 2014-1 IA3, or any designee thereof related to an appeal of the Special Tax; and the City’s annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the City or CFD No. 2014-1 IA3 for any other administrative purposes of CFD No. 2014-1 IA3, including attorney’s fees and other costs related to commencing and pursuing any foreclosure of delinquent Special Taxes.

“**Annual Special Tax**” means the Special Tax actually levied in any Fiscal Year on any Assessor’s Parcel.

“**Assessor**” means the Assessor of the County of Riverside.

“**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 Assessor designating parcels by Assessor’s Parcel Number.

“**Assessor’s Parcel Number**” means the number assigned to an Assessor’s Parcel by the County for purposes of identification.

“**Bonds**” means any bonds or other Debt, as defined by the Act, of CFD No. 2014-1 IA3, whether in one or more series, secured by the levy of Special Taxes.

“**Building Permit**” means a building permit for the construction of one or more Residential Units within CFD No. 2014-1 IA3 issued by the City.

“**Building Square Footage**” means all of the square footage of usable area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, or similar area. The determination of Building Square Footage shall be made by reference to the Building Permit(s) issued for such Assessor’s Parcel and/or by reference to appropriate records kept by the City.

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

“**CFD Administrator**” means an authorized representative of the City, or designee thereof, responsible for determining the Special Tax Requirement, for preparing the Annual Special Tax roll and/or calculating the Backup Special Tax.

“**CFD Formation**” means the date on which the Council approved the formation of CFD No. 2014-1 IA3 in accordance with the provisions of the Act.

“**CFD No. 2014-1 IA3**” means the Community Facilities District No. 2014-1 (Avelina) Improvement Area No. 3 of the City of Perris.

“**City**” means the City of Perris, California.

“**Council**” means the City Council of the City acting as the legislative body of CFD No. 2014-1 IA3 under the Act.

“**County**” means the County of Riverside, California.

“**Debt**” means any binding obligation to pay or repay a sum of money, including obligations in the form of bonds, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts.

“**Debt Service**” means for each Fiscal Year, the total amount of principal and interest payable on any Outstanding Bonds during the Calendar Year commencing on January 1 of such Fiscal Year.

“**Developed Property**” means for each Fiscal Year, all Taxable Property, exclusive of Provisional Property, for which a Building Permit was issued prior to April 1 of the previous Fiscal Year. An Assessor’s Parcel classified as Developed Property but for which the Building Permit that caused such Assessor’s Parcel to be classified as Developed Property has been cancelled and/or voided prior to the Fiscal Year for which Special Taxes are being levied shall be reclassified as Undeveloped Property, provided that the levy of the Maximum Special Tax after such reclassification shall not be less than 1.1 times the annual Debt Service less Administrative Expenses on all Outstanding Bonds. If Bonds have not been issued, an Assessor’s Parcel classified as Developed Property for which such a Building Permit has been cancelled and/or voided shall be reclassified as Undeveloped Property.

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

“**Fiscal Year**” means the period starting on July 1 and ending 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, and any instrument replacing or supplementing the same.

“**Land Use Class**” means any of the classes listed in Table 1 under Section 3 below.

“**Lot**” means a parcel created by a Final Subdivision on which a Residential Unit can be constructed.

“**Maximum Special Tax**” means for each Assessor’s Parcel, the maximum Special Tax, determined in accordance with Section 3 below, which may be levied in a given Fiscal Year on such Assessor’s Parcel of Taxable Property.

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

“**Property Owner Association Property**” means any Assessor’s Parcel within the boundaries of CFD No. 2014-1 IA3 owned in fee by a property owner association, including any master or sub-association.

“**Property Tax Burden**” means the ratio of (i) the total estimated amount of property taxes an owner of a Residential Unit would expect to pay in a Fiscal Year including *ad valorem* property taxes, special assessments, fees and charges placed on the County property tax bill (but excluding homeowner association dues, property owner association dues, or other non-governmental charges) divided by (ii) the sales price of such Residential Unit.

“**Proportionately**” or “**Proportionate**” means for Developed Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor’s Parcels of Developed Property. 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. “**Proportionately**” may similarly be applied to other categories of Taxable Property as listed in Section 4 below.

“**Provisional Property**” means all Assessor’s Parcels of Public Property, Property Owner Association Property or property that would otherwise be classified as Exempt Property pursuant to the provisions of Section 8, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property below the required minimum Acreage as set forth in Section 8.

“**Public Property**” means any property within the boundaries of CFD No. 2014-1 IA3, which is owned by, or irrevocably offered for dedication to the federal government, the State of California, the County, the City or any other public agency; provided however that any property owned by a public agency and leased to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use.

“**Residential Unit**” means each separate residential dwelling unit that comprises an independent facility capable of conveyance or rental, separate from adjacent residential dwelling units.

“**Special Tax**” means any special tax levied within CFD No. 2014-1 IA3 pursuant to the Act and this Rate and Method of Apportionment of Special Tax.

“**Special Tax Obligation**” means the total obligation of an Assessor’s Parcel of Taxable Property to pay the Special Tax for the remaining life of CFD No. 2014-1 IA3.

“**Special Tax Requirement**” means that amount required in any Fiscal Year to: (i) pay regularly scheduled Debt Service on all Outstanding Bonds; (ii) pay periodic costs on the Outstanding Bonds, including but not limited to, credit enhancement and rebate payments on the Outstanding Bonds; (iii) pay Administrative Fees and

Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) accumulate funds to pay directly for acquisition or construction of facilities provided that the inclusion of such amount does not cause an increase in the Special Tax to be levied on Undeveloped Property; and (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (vii) a credit for funds available to reduce the Annual Special Tax levy, as determined by the CFD Administrator 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. 2014-1 IA3, which are not exempt from the levy of the Special Tax pursuant to law or Section 8 below.

“**Trustee**” means the trustee or fiscal agent under the Indenture.

“**Undeveloped Property**” means, for each Fiscal Year, all Taxable Property not classified as Developed Property or Provisional Property.

2. LAND USE CLASSIFICATION

Each Fiscal Year, beginning with Fiscal Year 2015-16, each Assessor’s Parcel within CFD No. 2014-1 IA3 shall be classified as Taxable Property or Exempt Property. In addition, all Taxable Property shall further be classified as Developed Property, Undeveloped Property or Provisional Property, and all such Taxable Property shall be subject to the levy of Special Taxes in accordance with this Rate and Method of Apportionment of Special Tax determined pursuant to Sections 3 and 4 below. Furthermore, each Assessor’s Parcel of Developed Property shall be further classified to its applicable Land Use Class based on its Building Square Footage.

3. MAXIMUM SPECIAL TAX RATES

A. Developed Property

The Maximum Special Tax applicable to an Assessor’s Parcel classified as Developed Property for Fiscal Year 2015-16 shall be determined pursuant to Table 1 below.

**Table 1
Maximum Special Tax Rates
Fiscal Year 2015-16**

Land Use Class	Land Use Type	Building Square Footage	Maximum Special Tax
1	Residential Property	> 3,150	\$1,711 per Residential Unit
2	Residential Property	2,951 – 3,150	\$1,523 per Residential Unit
3	Residential Property	2,751 – 2,950	\$1,486 per Residential Unit
4	Residential Property	2,551 – 2,750	\$1,369 per Residential Unit
5	Residential Property	2,351 – 2,550	\$1,306 per Residential Unit
6	Residential Property	2,151 – 2,350	\$1,206 per Residential Unit
7	Residential Property	1,951 – 2,150	\$1,106 per Residential Unit
8	Residential Property	1,751 – 1,950	\$969 per Residential Unit
9	Residential Property	< 1,750	\$802 per Residential Unit

Each July 1, commencing July 1, 2016, the Maximum Special Tax for Developed Property shall be increased by two percent (2%) of the amount in effect in the prior Fiscal Year.

B. Provisional Property and Undeveloped Property

The Maximum Special Tax for Provisional Property and Undeveloped Property shall be \$7,692 per Acre for Fiscal Year 2015-16. On July 1st of each Fiscal Year, commencing July 1, 2016, the Maximum Special Tax for Provisional Property and Undeveloped Property shall increase by two percent (2%) of the amount in effect in the prior Fiscal Year.

4. METHOD OF APPORTIONMENT

For each Fiscal Year, commencing Fiscal Year 2015-16, the CFD Administrator shall levy the Special Tax on all Taxable Property in accordance with the following steps:

Step 1: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at 100% of the applicable Maximum Special Tax;

Step 2: If additional monies are needed to satisfy the Special Tax Requirement after Step 1 has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for Undeveloped Property;

Step 3: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Provisional Property up to 100% of the Maximum Special Tax for Provisional Property.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 2014-1 IA3 by more than ten percent (10%) above what would have been levied in the absence of delinquencies, except for those Assessor Parcel's of whose owners are also delinquent or in default on their Special Tax payments for one or more properties within CFD No. 2014-1 IA3.

5. COLLECTION OF SPECIAL TAXES

Collection of the Annual Special Tax shall be made by the County in the same manner as ordinary *ad valorem* property taxes are collected and the Annual Special Tax shall be subject to the same penalties and the same lien priority in the case of delinquency as *ad valorem* taxes; provided, however, that the Council may provide for (i) other means of collecting the Special Tax, including direct billings thereof to the property owners; and (ii) judicial foreclosure of delinquent Annual Special Taxes.

6. PREPAYMENT OF SPECIAL TAX OBLIGATION

A. Prepayment in Full

Property owners may prepay and permanently satisfy the Special Tax Obligation by a cash settlement with the City as permitted under Government Code Section 53344. The following definitions apply to this Section 6:

“**CFD Public Facilities Costs**” means \$2,817,944 in Fiscal Year 2015-16 dollars, which shall increase by 2% on July 1, 2016, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to acquire or construct the facilities to be financed under the Act and financing program for CFD No. 2014-1 IA3, or (ii) shall be determined by the Council concurrently with a covenant that it will not issue any more Bonds (except refunding bonds).

“**Construction Fund**” means the fund (regardless of its name) established pursuant to the Indenture to hold funds, which are currently available for expenditure to acquire or construct the facilities or pay fees.

“**Future Facilities Costs**” means the CFD Public Facilities Costs minus (i) costs previously paid from the Construction Fund to acquire or construct the facilities, (ii) monies currently on deposit in the Construction Fund, and (iii) monies currently on deposit in an escrow or other designated fund that are expected to be available to finance CFD Public Facilities Costs.

“**Outstanding Bonds**” means all Previously Issued Bonds, which remain outstanding as of the first interest and/or principal payment date following the current Fiscal Year excluding Bonds to be redeemed at a later date with proceeds of prior Special Tax prepayments.

“**Previously Issued Bonds**” means all Bonds that have been issued prior to the date of prepayment.

The Special Tax Obligation applicable to an Assessor’s Parcel of Developed Property, or Undeveloped Property for which a Building Permit has been issued may be 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 with respect to a particular Assessor’s Parcel 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 eligible to prepay the Special Tax Obligation shall provide the CFD Administrator with written notice of intent to prepay, and designate or identify the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the Prepayment Amount for such Assessor’s Parcel within thirty (30) days of the request, and may charge a reasonable fee for providing this service. Prepayment must be made at least 60 days prior to any redemption date for the CFD No. 2014-1 IA3 Bonds to be redeemed with the proceeds of such prepaid Special Taxes, unless a shorter period is acceptable to the Trustee and the City.

The Prepayment Amount (defined below) shall be calculated for each applicable Assessor’s Parcel or group of Assessor’s Parcels as summarized below (capitalized terms as defined below):

Bond Redemption Amount
plus Redemption Premium
plus Future Facilities Prepayment Amount
plus Defeasance Amount
plus Prepayment Administrative Fees and Expenses
less Reserve Fund Credit
less Capitalized Interest Credit
Total: equals Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

Step No.:

1. Confirm that no Special Tax delinquencies apply to such Assessor’s Parcel.
2. For Assessor’s Parcels of Developed Property, determine the Maximum Special Tax. For Assessor’s Parcels of Undeveloped Property for which a Building Permit has been issued, compute the Maximum Special Tax for that Assessor’s Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for that Assessor’s Parcel.

3. Divide the Maximum Special Tax computed pursuant to paragraph 2 by the total expected Maximum Special Tax revenue for CFD No. 2014-1 IA3 assuming all Building Permits have been issued (build-out) within CFD No. 2014-1 IA3, excluding any Assessor's Parcels for which the Special Tax Obligation has been previously prepaid.
4. Multiply the quotient computed pursuant to paragraph 3 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid for all applicable parcels and round that amount up to the nearest \$5,000 increment (the "Bond Redemption Amount").
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium (expressed as a percentage), if any, on the Outstanding Bonds to be redeemed at the first available call date (the "Redemption Premium").
6. Compute the Future Facilities Costs.
7. Multiply the quotient computed pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Prepayment Amount").
8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the expected redemption date for the Outstanding Bonds which, depending on the Indenture, may be as early as the next interest payment date.
9. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Prepayment Amount and the Prepayment Administrative Fees from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
10. Subtract the amount computed in paragraph 9 from the amount computed in paragraph 8 (the "Defeasance Amount").
11. Calculate the administrative fees and expenses of CFD No. 2014-1 IA3, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 2014-1 IA3, and the costs of recording any notices to evidence the prepayment and the redemption (the "Prepayment Administrative Fees").
12. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Indenture) on the prepayment calculation date, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the "Reserve Fund Credit"). No Reserve Fund Credit shall be granted if, after the Prepayment Amount is calculated, reserve funds are below 100% of the reserve requirement.
13. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient computed pursuant to paragraph 3 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "Capitalized Interest Credit").
14. The amount to prepay the Special Tax Obligation is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 10, and 11, less the amounts computed pursuant to paragraphs 12 and 13 (the "Prepayment Amount").

15. From the Prepayment Amount, the sum of the amounts computed pursuant to paragraphs 4, 5, and 10, less the amounts computed pursuant to paragraphs 12 and 13 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make Debt Service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 11 shall be retained by CFD No. 2014-1 IA3.

The Prepayment Amount may be sufficient to redeem an amount other than a \$5,000 increment of CFD No. 2014-1 IA3 Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to redeem CFD No. 2014-1 IA3 Bonds to be used with the next prepayment of CFD No. 2014-1 IA3 Bonds.

The CFD Administrator will confirm that all previously levied Special Taxes have been paid in full. With respect to any Assessor's Parcel for which the Special Tax Obligation is prepaid in full, once the CFD Administrator has confirmed that all previously levied Special Taxes have been paid, the Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of the Special Tax and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of the owner of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the aggregate amount of Maximum Special Taxes less Administrative Expenses that may be levied on Taxable Property, respectively, after the proposed prepayment is at least 1.1 times the Debt Service on all Outstanding Bonds in each Fiscal Year.

B. Partial Prepayment

The Special Tax on an Assessor's Parcel of Developed Property or Undeveloped Property for which a building permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as in Section 6.A.; except that a partial prepayment shall be calculated according to the following formula:

$$PP = (P_E - A) \times F + A$$

These terms have the following meaning:

- PP = the partial prepayment
- P_E = the Prepayment Amount calculated according to Section 6.A
- F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax Obligation
- A = the Prepayment Administrative Fees and Expenses from Section 6.A

The owner of any Assessor's Parcel who desires such partial prepayment shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Special Tax Obligation, (ii) the percentage by which the Special Tax Obligation shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax Obligation for an Assessor's Parcel within sixty (60) days of the request and may charge a reasonable fee for providing this service.

With respect to any Assessor's Parcel that is partially prepaid, the City shall (i) distribute the funds remitted to it according to Section 6.A., and (ii) indicate in the records of CFD No. 2014-1 IA3 that there has been a partial prepayment of the Special Tax Obligation and that a portion of the Special Tax

with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the Maximum Special Tax, shall continue to be levied on such Assessor's Parcel.

Notwithstanding the foregoing, no partial prepayment shall be allowed unless the aggregate amount of Maximum Special Taxes less Administrative Expenses that may be levied on Taxable Property, respectively, after the proposed partial prepayment is at least 1.1 times the Debt Service on all Outstanding Bonds in each Fiscal Year.

7. TERM OF SPECIAL TAX

The Special Tax shall be levied as long as necessary to meet the Special Tax Requirement for a period not to exceed fifty Fiscal Years commencing with Fiscal Year 2015-16, provided however that the Special Tax will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined that all required interest and principal payments on CFD No. 2014-1 IA3 bonds have been paid.

8. EXEMPTIONS

The CFD Administrator shall classify as Exempt Property (i) Assessor's Parcels of Public Property, (ii) Assessor's Parcels of Property Owner Association Property, or (iii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization and (iv) Assessor's Parcels with public utility easement by the restriction, as determined reasonably by the CFD Administrator, provided that no such classification would reduce the sum of all Taxable Property in CFD No. 2014-1 IA3 to less than 29.17 Acres. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the sum of all Taxable Property in CFD No. 2014-1 IA3 to less than 29.17 Acres shall be classified as Provisional Property and will continue to be subject to the CFD No. 2014-1 IA3 Special Taxes accordingly. Tax exempt status for the purpose of this paragraph will be assigned by the CFD Administrator in the chronological order in which property becomes eligible for classification as Exempt Property.

If the use of an Assessor's Parcel of Exempt Property changes so that such Assessor's Parcel is no longer classified as one of the uses set forth in the first paragraph of Section 8 above that would make such Assessor's Parcel eligible to be classified as Exempt Property, such Assessor's Parcel shall cease to be classified as Exempt Property and shall be deemed to be Taxable Property.

9. APPEALS

Any landowner who pays the Special Tax and claims the amount of the Special Tax levied on his or her Assessor's Parcel is in error shall first consult with the CFD Administrator regarding such error not later than twelve (12) months after first having paid the first installment of the Special Tax that is disputed. If following such consultation, the CFD Administrator determines that an error has occurred, the CFD Administrator may amend the amount of the Special Tax levied on such Assessor's Parcel. If following such consultation and action, if any, by the CFD Administrator, the landowner believes such error still exists, such person may file a written notice with the City Manager or designee of the City appealing the amount of the Special Tax levied on such Assessor's Parcel. Upon the receipt of such notice, the City Manager or designee may establish such procedures as deemed necessary to undertake the review of any such appeal. The City Manager or designee thereof shall interpret this Rate and Method of Apportionment of Special Tax and make determinations relative to the administration of the Special Tax and any landowner appeals as herein specified. The decision of the City Manager or designee shall be final and binding as to all persons.

APPENDIX C

FORM OF BOND COUNSEL OPINION

Upon issuance of the Bonds, Aleshire & Wynder, LLP, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

APPENDIX D

FORM OF DISTRICT CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of November 1, 2018, is executed and delivered by Community Facilities District No. 2014-1 (Avelina) of the City of Perris (the “District”) and Willdan Financial Services, as dissemination agent, in connection with the issuance and delivery of the Perris Joint Powers Authority Local Agency Revenue Bonds (IA 3-CFD No. 2014-1 (Avelina)), 2018 Series A (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted by the Board of Directors of the Perris Joint Powers Authority (the “Authority”) on _____, 2018 and an Indenture of Trust by and between the Authority and U.S. Bank National Association, as Trustee, dated as of November 1, 2018 (the “Indenture”). The District covenants as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District, for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined below).

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

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

“*Beneficial Owner*” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income purposes.

“*Disclosure Representative*” shall mean the City Manager, Assistant City Manager or Finance Director of the City of Perris (the “City”), or his or her designee, or such other officer or employee as the District shall designate in writing to the Dissemination Agent from time to time.

“*Dissemination Agent*” shall mean, initially, Willdan Financial Services, or any successor Dissemination Agent designated in writing by the District which has filed with the then current Dissemination Agent a written acceptance of such designation.

“*Improvement Area*” shall mean Improvement Area No. 3 of the District, created pursuant to the Resolution of Formation.

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

“*Participating Underwriter*” shall mean Brandis Tallman LLC.

“*Rate and Method of Apportionment*” shall mean the Rate and Method of Apportionment of Special Tax for the Improvement Area as set forth in the Resolution of Formation.

“*Repository*” shall mean the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org/>, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Resolution of Formation*” shall mean Resolution No. 4798 adopted by the City Council of the City, acting as the legislative body of the District, on January 13, 2015, as now in effect or as it may hereafter be amended from time to time.

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

“*Tax-exempt*” shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preferences or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

SECTION 3. Provision of Annual Reports.

(a) The District shall, not later than December 31 immediately following the end of the District’s fiscal year, commencing December 31, 2018, which initial Annual Report shall consist solely of the Official Statement and audited financial statements of the City, if any, provide or shall cause the Dissemination Agent to provide, to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City, if any, may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

An Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The District’s fiscal year (“Fiscal Year”) is currently effective from July 1 to the immediately succeeding June 30 of the following year. The District will promptly notify the Repository or the Municipal Securities Rulemaking Board and the Dissemination Agent of a change in the fiscal year dates.

(b) In the event that the Dissemination Agent is an entity other than the District, then the provisions of this Section 3(b) shall apply. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repository, the District shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) Business Days prior to such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District will be filing the Annual Report in compliance with subsection (a). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report.

(c) If the District is the Dissemination Agent and the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall, in a timely manner, send a notice to the Municipal Securities Rulemaking Board and the Repository, if any, in substantially the form attached to this Disclosure Agreement as Exhibit A. If the Dissemination Agent is other than the District and if the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall, in a timely manner, send a notice to the Repository, in substantially the form attached as Exhibit A.

(d) The Disclosure Dissemination Agent shall upon receipt, promptly file each Annual Report received under Section 3(b) with the Repository.

SECTION 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference:

(a) Financial Statements. The audited financial statements of the City for the most recent fiscal year of the City then ended, if such audited financial statements are prepared. If the audited financial statements (if prepared) are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the City, if any, in a format similar to the audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements of the City, if prepared, shall be audited by such auditor as shall then be required or permitted by State law or the Indenture. Audited financial statements (if prepared) shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the City may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the City shall modify the basis upon which its financial statements, if any, are prepared, the District shall provide a notice of such modification to the Repository, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis. If no financial statements of the City are prepared, then none shall be included on the Annual Report.

(b) Financial and Operating Data. The Annual Report shall contain or incorporate by reference the following information:

(i) the current Fiscal Year's total assessed valuation (per the County of Riverside Assessor's records) of all parcels within the Improvement Area subject to the Special Tax, showing the assessed valuation for land value and improvement value, and total assessed value.

(ii) for the current Fiscal Year, the actual amount of the Special Tax levy and the maximum Special Tax levy pursuant to the Rate and Method of Apportionment within the Improvement Area;

(iii) with respect to delinquencies within the Improvement Area;

(a) delinquency information with respect to the most recent April 10 tax payment date (including, without limitation, the parcel number of each delinquent parcel, the identity of the property owner and the amount then delinquent) for each parcel delinquent in the payment of \$2,500 or more in Special Tax or any parcels under common ownership that are responsible for \$5,000 or more of Special Tax; and

(b) the total dollar amount of delinquencies of the prior Fiscal Year and, in the event that such total delinquencies with respect to the most recent April 10 tax payment date exceed 5% of the Special Tax for the previous year, a list of all delinquent parcels, amounts of delinquencies, length of delinquency and status of any foreclosure proceedings of such parcels;

(iv) the principal amount of any prepayments of the Special Tax as of the date the District transmitted the Special Tax amounts to the County of Riverside for inclusion on the secured tax roll for the then current Fiscal Year (which is currently no later than August 10);

(v) a current debt service schedule for the outstanding Bonds; and

(vi) the principal amount of the Bonds outstanding and the balance in the Reserve Account held under the Indenture (and a statement of the Reserve Requirement) as of the September 30 of the current Fiscal Year.

In addition to any of the information expressly required to be provide under paragraphs (a) or (b) of this Section, the District shall provide such further information, if any, as may be necessary to make the specifically

required statements set forth in clauses (i) to (vi) under paragraph (b) of this Section, in the light of the circumstances under which they were made, not misleading.

(c) Any or all of the items listed in (a) or (b) above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Repository. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The District shall notify the Dissemination Agent not more than eight (8) Business Days after the following events, and the Dissemination Agent shall file a notice with the Repository not more than ten (10) Business Days after the following events:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds;
6. defeasances;
7. tender offers;
8. bankruptcy, insolvency, receivership or similar proceedings; and
9. ratings changes.

(b) Additionally, the District shall provide the Dissemination Agent, and the Dissemination Agent shall promptly file with the Repository, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. The consummation of a merger, consolidation or acquisition involving an obligated person or sale of all or substantially all of the assets of the obligated 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;
2. appointment of a successor or additional fiscal agent or the change of the name of a fiscal agent;
3. non-payment related defaults;
4. modifications to the rights of Bondholders;
5. Bond calls; and

6. release, substitution or sale of property securing repayment of the Bonds.

(c) The District hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the District and the Dissemination Agent shall not be responsible for determining whether the District's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. The obligations of the District and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Willdan Financial Services. The Dissemination Agent may resign by providing (i) thirty days written notice to the District, and (ii) upon appointment of a new Dissemination Agent hereunder.

SECTION 8. Amendment.

(a) This Disclosure Agreement may be amended, by written agreement of the parties, without the consent of the Owners, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law, or a change in the identity, nature or status of the District or the type of business conducted thereby, (2) this Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the District shall have delivered to the Dissemination Agent an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District and the Participating Underwriter, to the same effect as set forth in clause (2) above, (4) the District shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the effect that the amendment does not materially impair the interests of the Owners or Beneficial Owners, or such amendment shall have been approved by the Owners in the same manner as an amendment to the Indenture, and (5) the District shall have delivered copies of such opinion and amendment to the Repository and the Participating Underwriter.

(b) This Disclosure Agreement also may be amended by written agreement of the parties upon obtaining consent of Owners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the Owners of the Bonds; provided that the conditions set forth in Section 8(a)(1), (2) and (3) have been satisfied.

(c) To the extent any amendment to this Disclosure Agreement results in a change in the type of financial information or operating data provided pursuant to this Disclosure Agreement, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

The District acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, as amended may apply to the District, and that under some circumstances compliance with this Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the District under such laws.

SECTION 10. Default. In the event of a failure of the District or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District and/or the Dissemination Agent to comply with their respective obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the District or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the District agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. Any Dissemination Agent other than the District shall be paid (i) compensation by the District for its services provided hereunder in accordance with a schedule of fees to be mutually agreed to; and (ii) all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the District pursuant to this Disclosure Agreement. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Agreement.

The Dissemination Agent may file reports, notices and other information as required by this agreement electronically to the Repository. If the District is equipped to receive such information electronically, the Dissemination Agent will include the District in any simultaneous electronic dissemination of materials.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. 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 14. Governing Law. This Disclosure Agreement shall be construed and governed in accordance with the laws of the State of California.

SECTION 15. Notices. Notices shall be provided, as required hereunder, to the applicable addressees below:

District: City of Perris
101 North D Street
Perris, California 92570
Telephone: (951) 943-6100
Attention: Finance Director

Dissemination Agent: Willdan Financial Services
27368 Via Industria, Suite 200
Temecula, CA 92590
Telephone: (951) 587-3500
Attention: District Administration

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. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the filing of any paper or any further act.

COMMUNITY FACILITIES DISTRICT NO. 2014-1 OF
THE CITY OF PERRIS (AVELINA)

By: _____
City Manager of the City of Perris

WILLDAN FINANCIAL SERVICES,
as Dissemination Agent

By: _____
Its: Authorized Agent

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Person: Community Facilities District No. 2014-1 (Avelina) of the City of Perris
Name of Bond Issue: Perris Joint Powers Authority Local Agency Revenue Bonds (IA 3- CFD No. 2014-1(Avelina)), 2018 Series A
Date of Issuance: November __, 2018

NOTICE IS HEREBY GIVEN that Community Facilities District No. 2014-1 (Avelina) of the City of Perris (the "District") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement, dated as of November 1, 2018. [The District anticipates that the Annual Report will be filed by _____.]

Dated: _____

_____,
as Dissemination Agent

cc: City of Perris

APPENDIX E

FORM OF DEVELOPER CONTINUING DISCLOSURE AGREEMENT

This Developer Continuing Disclosure Agreement (the “Disclosure Agreement”) dated as of November 1, 2018 is executed and delivered by Centex Homes, a Nevada general partnership (the “Landowner”), and Willdan Financial Services, as dissemination agent (the “Dissemination Agent”), in connection with the issuance by Perris Joint Powers Authority (the “Authority”) of the Perris Joint Powers Authority Local Agency Revenue Bonds (IA 3-CFD No. 2014-1 (Avelina)), 2018 Series A (the “Bonds”) (the “Bonds”). The Bonds are being issued pursuant to the Indenture of Trust by and between the Authority and U.S. Bank National Association, as Trustee, dated as of November 1, 2018 (the “Indenture”). The Landowner covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Landowner to assist the Underwriter in the marketing of the Bonds.

SECTION 2. Definitions. Unless defined herein, capitalized terms used herein shall have the meanings ascribed thereto in the Indenture.

“Affiliate” shall mean, with respect to any Person, (a) each Person that, directly or indirectly, owns or controls, whether beneficially or as an agent, guardian or other fiduciary, twenty-five percent (25%) or more of any class of Equity Securities of such Person, (b) each Person that controls, is controlled by or is under common control with such Person or any Affiliate of such Person or (c) each of such Person’s executive officers, directors, joint venturers and general partners. For the purpose of this definition, “control” of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise.

“Annual Report” shall mean any Annual Report provided by the Landowner pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Disclosure Representative” shall mean the Chief Financial Officer or his designee acting on behalf of the Landowner, or such other officer or employee as the Landowner shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean Willdan Financial Services, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Landowner and which has filed with the Landowner and the District a written acceptance of such designation.

“District” shall mean Community Facilities District No. 2014-1 (Avelina) of the City of Perris.

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

“Equity Securities” of any Person shall mean (a) all common stock, preferred stock, participations, shares, general partnership interests or other equity interests in and of such person (regardless of how designated and whether or not voting or non-voting) and (b) all warrants, options and other rights to acquire any of the foregoing.

“Fiscal Year” shall mean the period beginning on January 1 of each year and ending on the next succeeding December 31.

“Government Authority” shall mean any national, state or local government, any political subdivision thereof, any department, agency, authority or bureau of any of the foregoing, or any other Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Improvement Area” shall mean Improvement Area No. 3 of the District.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the Official Statement, dated November __, 2018, relating to the Bonds.

“Person” shall mean any natural person, corporation, partnership, firm, association, Government Authority or any other Person whether acting in an individual, fiduciary, or other capacity.

“Repository” shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

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

“Semiannual Report” shall mean any report to be provided by the Landowner on or prior to December 15 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“State” shall mean the State of California.

“Underwriter” shall mean the original underwriter of the Bonds, which is Brandis Tallman LLC.

SECTION 3. Provision of Annual Reports and Semiannual Report.

(a) The Landowner shall, or upon receipt of the Annual Report the Dissemination Agent shall, not later than June 15 of each year, commencing June 15, 2019, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. If, in any year, June 15 falls on a Saturday, Sunday or a holiday on which the Dissemination Agent’s offices are closed for business, such deadline shall be extended to the next following day on which the Dissemination Agent’s offices are open for business. 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 consolidated financial statements, if any, of PulteGroup, Inc. may be submitted separately from the balance of the Annual Report and later than the date required for the filing of the Annual Report if they are not available by that date. In addition, until such time as the Landowner’s reporting requirements terminate pursuant to Section 6 below, the Landowner shall, or upon receipt of the Semiannual Report the Dissemination Agent shall, not later than December 15 of each year, commencing December 15, 2019, provide to the Repository a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. If, in any year, December 15 falls on a Saturday, Sunday or a holiday on which the Dissemination Agent’s offices are closed for business, such deadline shall be extended to the next following day on which the Dissemination Agent’s offices are open for business.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report and Semiannual Report to the Repository, the Landowner shall provide the Annual Report or the Semiannual Report, as applicable, to the Dissemination Agent or shall provide notification to the Dissemination Agent that the Landowner is preparing, or causing to be prepared, the Annual Report or the

Semiannual Report, as applicable, and the date which the Annual Report or the Semiannual Report, as applicable, is expected to be available. If by such date, the Dissemination Agent has not received a copy of the Annual Report or the Semiannual Report, as applicable, or notification as described in the preceding sentence, the Dissemination Agent shall notify the Landowner of such failure to receive the report.

(c) If the Dissemination Agent is unable to provide an Annual Report or Semiannual Report to the Repository by the date required in subsection (a) or to verify that an Annual Report or Semiannual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall send a notice to the Repository in the form required by the Repository.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report and the Semiannual Report the name and address of the Repository; and

(ii) promptly after receipt of the Annual Report, file a report with the Landowner and the District certifying that the Annual Report or the Semiannual Report, as applicable, has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the Repository.

(e) Notwithstanding any other provision of this Disclosure Agreement, any of the required filings hereunder shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

SECTION 4. Content of Annual Report and Semiannual Report.

(a) The Landowner's Annual Report and Semiannual Report shall contain or include by reference the information which is updated, except with respect to the financial statements of the Developer required under 4(a)(4), through a date which shall not be more than 60 days prior to the date of the filing of the Annual Report or the Semiannual Report, as applicable, relating to the following:

1. An update (if any) to the information relating to the Landowner and its Affiliates under the captions in the Official Statement entitled "PROPERTY OWNERSHIP AND THE DEVELOPMENT—The Developer," "—Development Plan," and "—Financing Plan." Such updates shall include, but not be limited to, the status of construction for the property currently owned by the Landowner (to the extent the same remains owned by the Landowner or an Affiliate) (collectively, the "Landowner Improvements").

2. The number of homes conveyed to individual homeowners in the Improvement Area since the last Semiannual Report or Annual Report filed and the number of homes and lots owned by the Landowner or any Affiliates within the Improvement Area.

3. Any significant amendments to land use entitlements with respect to parcels owned by the Landowner or its Affiliates within the Improvement Area, or that are otherwise known to the Landowner, including an update of the total acres subject to the levy of Special Taxes if the amendment affects the total number of acres subject to the levy of the Special Taxes.

4. Status of Special Tax payments on all parcels owned by the Landowner and its Affiliates.

5. In the Annual Report only, the consolidated financial statements of PulteGroup, Inc., a Michigan corporation for its most recently completed Fiscal Year (which currently ends on each December 31).

(b) Any and all of the items listed above may be included by specific reference to other documents, including official statements of debt issues which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Landowner shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Landowner shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material under clauses (b) and (c) as soon as practicable after the occurrence of any of the following events:

1. Failure to pay any real property taxes, special taxes or assessments levied within the Improvement Area on a parcel owned by the Landowner or any Affiliate;

2. Material default by the Landowner or any Affiliate on any loan with respect to the construction or permanent financing of the Landowner Improvements to which the Landowner or any Affiliate has been provided a notice of default;

3. Material default by the Landowner or any Affiliate on any loan secured by property within the Improvement Area owned by the Landowner or any Affiliate to which the Landowner or any Affiliate has been provided a notice of default;

4. Payment default by the Landowner or any Affiliate on any loan of the Landowner or any Affiliate (whether or not such loan is secured by property within the Improvement Area) which is beyond any applicable cure period in such loan;

5. The filing of any proceedings with respect to the Landowner or any Affiliate, in which the Landowner or any Affiliate, may be adjudicated as bankrupt or discharged from any or all of their respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts; and

6. The filing of any lawsuit against the Landowner or any of its Affiliates which, in the reasonable judgment of the Landowner, will adversely affect the completion of the development of parcels owned by the Landowner or its Affiliates within the Improvement Area, or litigation which if decided against the Landowner, or any of its Affiliates, in the reasonable judgment of the Landowner, would materially adversely affect the financial condition of the Landowner or its Affiliates or their respective ability to pay special taxes levied within the Improvement Area.

(b) Whenever the Landowner obtains knowledge of the occurrence of a Listed Event, the Landowner shall as soon as possible determine if such event would be material under applicable federal securities laws. The Dissemination Agent shall have no responsibility to determine the materiality of any of the Listed Events.

(c) If the Landowner determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Landowner shall promptly file a notice of such occurrence with the Dissemination Agent which shall then distribute such notice to the Repository, with a copy to the Authority.

SECTION 6. Termination of Reporting Obligation. The Landowner's obligations under this Disclosure Agreement shall terminate upon the earlier to occur of the following events:

(a) the legal defeasance, prior redemption or payment in full of all of the Bonds, or

(b) as of the date of the filing for the Semiannual Report or Annual Report, the property owned by the Landowner or any Affiliate within the Improvement Area being responsible for less than 20% of the Special Tax levy.

If such termination occurs prior to the final maturity of the Bonds, the Landowner shall give notice of such termination in the same manner as for an Annual Report hereunder.

SECTION 7. Dissemination Agent. The Landowner may from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Landowner, the Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Landowner pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing (i) thirty days written notice to the Landowner and the Dissemination Agent and (ii) upon appointment of a new Dissemination Agent hereunder.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Landowner may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The amendment or waiver either (i) is approved by the owners of the Bonds in the same manner as provided in the Indenture with the consent of owners of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the District and the Dissemination Agent, materially impair the interests of the owners or Beneficial Owners of the Bonds; and

(c) The Landowner, or the Dissemination Agent, shall have delivered copies of the amendment and any opinions delivered under (b) above to the District and the Trustee.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Landowner shall describe such amendment in the next Annual Report or Semiannual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Landowner.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Landowner 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 Landowner 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 Landowner 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.

The Landowner acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Landowner, and that under some circumstances compliance with this Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Landowner under such laws.

SECTION 10. Default. In the event of a failure of the Landowner or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Underwriter or any owner or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Landowner or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. The sole remedy under this Disclosure Agreement in the event of any failure of the Landowner or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Landowner, the Underwriter, owners of the Bonds or Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon a direction from the Landowner or an opinion of nationally recognized bond counsel. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent may conclusively rely upon the Annual Report provided to it by the Landowner as constituting the Annual Report required of the Landowner in accordance with this Disclosure Agreement and shall have no duty or obligation to review such Annual Report. 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 Landowner in a timely manner in a form suitable for filing with the Repositories. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

The Dissemination Agent will not, without the Landowner's prior written consent, settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification may be sought hereunder unless such settlement, compromise or consent includes an unconditional release of the Landowner and its controlling persons from all liability arising out of such claim, action or proceedings. If a claim, action or proceeding is settled with the consent of the Landowner or if there is a final judgment (other than a stipulated final judgment without the approval of the Landowner) for the plaintiff in any such claim, action or proceeding, with or without the consent of the Landowner, the Landowner agrees to indemnify and hold harmless the Dissemination Agent to the extent described herein.

SECTION 12. Landowner as Independent Contractor. In performing under this Disclosure Agreement, it is understood that the Landowner is an independent contractor and not an agent of the City.

SECTION 13. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

Landowner:	Centex Homes, a Nevada general partnership 27101 Puerta Real, Suite 300 Mission Viejo, California 92691 Attn: Steven Ford
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Dissemination Agent: Willdan Financial Services
27368 Via Industria, Suite 200
Temecula, CA 92590
Telephone: (951) 587-3500
Attention: District Administration

Underwriter: Brandis Tallman LLC
22 Battery Street, Suite 500
San Francisco, CA 94111
Attn: Rick Brandis

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Landowner, the City, the District, the Dissemination Agent, the Underwriter and owners of the Bonds and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. 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.

CENTEX HOMES, a Nevada general partnership

By: _____
Name:
Title:

WILLDAN FINANCIAL SERVICES, as Dissemination Agent

By: _____
Authorized Officer

APPENDIX F

DTC AND THE BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (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 maturity of the Securities in the aggregate principal amount of such maturity, and will be deposited with DTC.

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 a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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 a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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 the Authority 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. Principal, redemption price and interest 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 the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. If applicable, a Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to tender/remarketing 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 tender/remarketing 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 the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The Authority 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.

APPENDIX G

CERTAIN INFORMATION RELATING TO CLOSED HOMES

The Developer has provided the information set forth below with respect to the 112 homes within Improvement Area No. 3 which had been conveyed to individual homeowners as of October 1, 2018. No assurance can be made with respect to the sales price or assessed value of the homes below in the future or the sales price and pace of sales of the remaining planned homes to be developed within Improvement Area No. 3.

Lot Count	Assessor Parcel Number	Home Square Footage	Closing Date	Sale Price
1	320-550-003	1,959	07/21/2016	\$301,000
2	320-551-002	1,959	07/25/2016	298,005
3	320-550-005	1,959	08/05/2016	330,409
4	320-551-001	2,392	08/19/2016	321,574
5	320-550-026	2,688	09/06/2016	383,786
6	320-550-009	1,959	09/07/2016	293,895
7	320-551-003	3,286	09/12/2016	402,355
8	320-550-008	3,286	09/20/2016	385,752
9	320-550-025	3,559	09/21/2016	414,900
10	320-550-002	2,392	10/21/2016	323,997
11	320-550-024	2,816	10/27/2016	353,141
12	320-550-006	2,392	10/28/2016	317,544
13	320-550-007	1,959	10/28/2016	302,420
14	320-551-004	2,688	10/28/2016	338,925
15	320-550-027	1,959	12/31/2016	349,828
16	320-550-004	2,688	01/20/2017	338,990
17	320-551-005	1,959	01/27/2017	356,100
18	320-540-033	2,392	12/13/2017	356,120
19	320-540-034	2,688	12/13/2017	387,225
20	320-540-037	2,816	12/14/2017	404,005
21	320-541-020	2,688	12/15/2017	386,440
22	320-540-038	2,688	12/15/2017	386,458
23	320-541-015	2,392	12/18/2017	369,696
24	320-541-017	3,286	12/18/2017	434,090
25	320-541-018	2,816	12/18/2017	406,525
26	320-541-019	1,959	12/18/2017	327,545
27	320-540-039	2,816	12/19/2017	424,019
28	320-541-021	2,392	12/20/2017	351,801
29	320-541-022	2,688	12/20/2017	366,461
30	320-541-002	1,959	12/21/2017	320,535
31	320-540-023	2,392	12/22/2017	341,390
32	320-541-013	3,286	12/22/2017	404,932
33	320-541-001	2,392	12/27/2017	340,920
34	320-540-022	3,559	01/12/2018	434,621
35	320-541-004	1,959	01/12/2018	352,703
36	320-540-020	2,688	01/16/2018	389,864
37	320-540-021	1,959	01/16/2018	362,052
38	320-540-024	2,816	01/17/2018	389,990
39	320-540-035	2,392	01/17/2018	354,925
40	320-540-026	2,392	01/25/2018	360,883
41	320-540-019	2,816	01/30/2018	394,798
42	320-541-005	2,392	01/31/2018	357,523
43	320-540-030	1,959	01/31/2018	374,934
44	320-540-032	1,959	01/31/2018	382,941
45	320-540-018	1,959	02/14/2018	341,850
46	320-540-016	2,392	02/15/2018	403,732
47	320-541-007	1,959	02/15/2018	359,679
48	320-540-029	3,286	02/15/2018	466,878

49	320-540-014	3,559	02/16/2018	464,628
50	320-540-017	2,688	02/16/2018	382,444
51	320-541-003	3,286	02/20/2018	436,650
52	320-541-009	3,286	02/21/2018	415,108
53	320-540-027	1,959	03/13/2018	371,711
54	320-541-012	2,688	03/16/2018	381,391
55	320-541-011	2,816	03/28/2018	396,968
56	320-541-008	2,816	03/29/2018	386,460
57	320-540-015	1,959	04/13/2018	412,110
58	320-562-005	2,688	04/16/2018	368,538
59	320-562-006	2,816	04/16/2018	377,670
60	320-563-001	2,688	04/16/2018	377,688
61	320-563-002	1,959	04/16/2018	375,145
62	320-540-031	3,286	04/16/2018	412,418
63	320-562-002	2,392	04/17/2018	383,398
64	320-562-003	2,688	04/17/2018	367,993
65	320-541-006	3,286	04/20/2018	469,990
66	320-540-036	3,559	04/27/2018	425,000
67	320-541-024	3,286	05/04/2018	442,990
68	320-540-028	2,816	05/11/2018	419,843
69	320-561-026	2,392	05/17/2018	375,962
70	320-561-027	3,286	05/17/2018	440,358
71	320-562-004	1,959	05/21/2018	373,572
72	320-562-007	3,286	05/21/2018	412,720
73	320-563-003	3,286	05/21/2018	548,321
74	320-563-006	3,559	05/22/2018	435,180
75	320-561-032	2,688	05/23/2018	412,690
76	320-541-010	1,959	05/31/2018	374,990
77	320-541-023	2,392	06/06/2018	368,990
78	320-563-004	2,816	06/08/2018	426,953
79	320-563-007	2,392	06/08/2018	368,310
80	320-563-013	2,392	06/13/2018	364,045
81	320-561-021	2,688	06/14/2018	414,895
82	320-561-022	2,816	06/15/2018	419,285
83	320-563-008	3,286	06/15/2018	434,612
84	320-563-010	2,816	06/15/2018	384,475
85	320-563-014	3,286	06/18/2018	469,527
86	320-541-016	1,959	06/27/2018	374,520
87	320-561-025	2,688	06/29/2018	384,021
88	320-562-001	3,286	07/13/2018	439,404
89	320-561-028	2,392	07/18/2018	388,684
90	320-561-029	3,286	07/20/2018	422,202
91	320-563-009	1,959	07/20/2018	344,865
92	320-563-012	1,959	07/23/2018	351,856
93	320-561-024	3,559	07/31/2018	465,990
94	320-561-020	1,959	08/01/2018	377,990
95	320-563-011	3,286	08/03/2018	418,837
96	320-561-031	2,816	08/08/2018	392,396
97	320-543-002	2,392	08/10/2018	397,704
98	320-543-005	2,688	08/10/2018	417,045
99	320-540-009	2,392	08/13/2018	377,735
100	320-540-010	3,286	08/15/2018	434,125
101	320-541-014	1,959	08/16/2018	366,920
102	320-561-023	2,392	08/22/2018	390,000
103	320-543-007	3,286	08/31/2018	425,227
104	320-560-004	2,816	09/10/2018	405,338
105	320-540-011	2,816	09/11/2018	395,125
106	320-561-014	3,286	09/19/2018	419,965
107	320-561-012	2,816	09/21/2018	426,960
108	320-561-030	2,688	09/21/2018	398,990
109	320-540-008	2,688	09/26/2018	409,990
110	320-543-003	3,559	09/28/2018	465,150

111	320-560-003	3,286	09/28/2018	478,363
112	320-550-001	1,959	7/15/2016	-- ⁽¹⁾
			Total	\$43,210,586

⁽¹⁾ APN No. 320-550-001 was donated as part of "Operation Finally Home" which provides a mortgage-free home to wounded veterans as part of PulteGroup's BTH (Built To Honor) program.
Source: Developer.