

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, such interest on the Bonds is exempt from California personal income taxes. See "LEGAL MATTERS – Tax Exemption" herein regarding certain other tax considerations.*

**\$2,345,000**  
**COMMUNITY FACILITIES DISTRICT NO. 2014-3 OF THE**  
**MURRIETA VALLEY UNIFIED SCHOOL DISTRICT**  
**2019 SPECIAL TAX BONDS**

**Dated: Date of Delivery**

**Due: September 1, as shown on inside cover.**

**Authority for Issuance.** The bonds captioned above (the "**Bonds**") are being issued under the Mello-Roos Community Facilities Act of 1982, as amended (the "**Act**"), the Resolution of Issuance (as defined herein), and a Fiscal Agent Agreement, dated as of January 1, 2019 (the "**Fiscal Agent Agreement**"), by and between Community Facilities District No. 2014-3 of the Murrieta Valley Unified School District (the "**Community Facilities District**"), and Zions Bancorporation, National Association, as fiscal agent (the "**Fiscal Agent**"). The Board of Education (the "**Board**") of the Murrieta Valley Unified School District (the "**School District**"), acting as the legislative body of the Community Facilities District, and the eligible landowner voters in the Community Facilities District, have authorized the issuance of bonds in an aggregate principal amount not to exceed \$3,000,000. See "THE BONDS – Authority for Issuance." The Community Facilities District may issue parity bonds in the future for refunding purposes only, subject to the terms of the Fiscal Agent Agreement. See "THE BONDS – Additional Parity Bonds for Refunding Purposes Only."

**Security and Sources of Payment.** The Bonds are payable from proceeds of Net Special Taxes (as defined herein) levied on taxable property within the Community Facilities District according to the rate and method of apportionment of special tax approved by the Board and the eligible landowner voters in the Community Facilities District. The Bonds are secured by a first pledge of the revenues derived from the Net Special Taxes and the moneys on deposit in certain funds held by the Fiscal Agent under the Fiscal Agent Agreement. See "SECURITY FOR THE BONDS."

**Use of Proceeds.** The Bonds are being issued to (i) acquire and construct certain school facilities and improvements to be owned and operated by the School District and water and sewer facilities to be owned and operated by Eastern Municipal Water District (the "**EMWD Facilities**"), (ii) make a deposit to the reserve fund for the Bonds, and (iii) pay certain costs of issuing the Bonds. See "FINANCING PLAN."

**Bond Terms.** Interest on the Bonds is payable semiannually on each March 1 and September 1, commencing September 1, 2019. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. The Bonds, when delivered, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("**DTC**"). DTC will act as securities depository for the Bonds. See "THE BONDS – General Bond Terms" and APPENDIX E – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

**Redemption.** *The Bonds are subject to optional redemption, mandatory sinking fund redemption before maturity and special mandatory redemption from prepaid Special Taxes. See "THE BONDS - Redemption."*

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

**MATURITY SCHEDULE**

(see inside cover)

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

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the Community Facilities District by James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, as disclosure counsel, and by Dannis Woliver Kelley, Attorneys at Law, San Diego, California, counsel to the School District. Kutak Rock LLP, Irvine, California, is serving as counsel to the Underwriter. It is anticipated that the Bonds, in book-entry form, will be available for delivery on or about January 31, 2019.

**STIFEL**

**\$2,345,000**  
**COMMUNITY FACILITIES DISTRICT NO. 2014-3 OF THE**  
**MURRIETA VALLEY UNIFIED SCHOOL DISTRICT**  
**2019 SPECIAL TAX BONDS**

**MATURITY SCHEDULE**

\$1,285,000 Serial Bonds  
(Base CUSIP<sup>†</sup>No.: 62719H)

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP<sup>†</sup></u> <u>No.</u>
2019	\$70,000	2.000%	1.620%	100.219%	L44
2020	45,000	2.000	1.800	100.310	L51
2021	50,000	3.000	2.070	102.326	L69
2022	50,000	3.000	2.350	102.220	L77
2023	50,000	4.000	2.500	106.456	L85
2024	55,000	4.000	2.600	107.230	L93
2025	55,000	4.000	2.680	107.916	M27
2026	60,000	2.500	2.780	98.096	M35
2027	60,000	2.750	2.880	99.016	M43
2028	60,000	3.000	3.040	99.668	M50
2029	65,000	3.000	3.150	98.657	M68
2030	65,000	3.125	3.300	98.324	M76
2031	65,000	3.250	3.400	98.472	M84
2032	70,000	3.500	3.550	99.462	M92
2033	70,000	3.500	3.650	98.313	N26
2034	75,000	3.500	3.750	97.067	N34
2035	75,000	3.750	3.800	99.386	N42
2036	80,000	3.750	3.850	98.728	N59
2037	80,000	3.750	3.950	97.381	N67
2038	85,000	4.000	3.970	100.234 <sup>C</sup>	N75

\$480,000 4.00% Term Bond due September 1, 2043 Yield: 4.15%, Price: 97.699% CUSIP<sup>†</sup> No. 62719H N83

\$580,000 4.00% Term Bond due September 1, 2048 Yield: 4.20%, Price: 96.627% CUSIP<sup>†</sup> No. 62719H N91

<sup>C</sup> Priced to optional call at par on September 1, 2028.

<sup>†</sup> CUSIP<sup>®</sup> is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services ("CGS") which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. CUSIP<sup>®</sup> data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the Underwriter, the Municipal Advisor or the Community Facilities District is responsible for the selection, correctness or uses of the CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the Community Facilities District, the Municipal Advisor or the Underwriter and CUSIP<sup>®</sup> numbers are provided for convenience of reference only. The CUSIP<sup>®</sup> 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.

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

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

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

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

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

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

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

***Internet Site.*** The School District maintains an internet website, but the information it contains is not incorporated in this Official Statement.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE COMMUNITY FACILITIES DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

**MURRIETA VALLEY UNIFIED SCHOOL DISTRICT**

**BOARD OF EDUCATION**

Paul Diffley, *President*  
Linda Lunn, *Clerk*  
Kenneth C. Dickson, *Member*  
Oscar Rivas, *Member*  
Kris Thomasian, *Member*

**DISTRICT ADMINISTRATION**

Patrick Kelley, *Superintendent*  
William Olien, *Assistant Superintendent, Facilities, Operations & Technology*  
Stacy Coleman, *Assistant Superintendent, Business Services*  
Darren K. Daniel, *Assistant Superintendent, Human Resources*  
Mary Walters, *Assistant Superintendent, Educational Services*

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Piper Jaffray & Co.  
El Segundo, California

**SPECIAL TAX CONSULTANT AND CFD ADMINISTRATOR**

Cooperative Strategies, LLC  
Irvine, California

**APPRAISER**

Kitty Siino & Associates, Inc.  
Tustin, California

**FISCAL AGENT**

Zions Bancorporation, National Association  
Los Angeles, California



# Regional Area Map





**Murrieta Valley Unified School District  
Community Facilities District No. 2014-3  
(Ventana at Creekside Village by Woodside Homes)**



Boundaries Approximate  
Aerial flown by AirViews 11/2/18

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## OFFICIAL STATEMENT

**\$2,345,000**  
**COMMUNITY FACILITIES DISTRICT NO. 2014-3 OF THE**  
**MURRIETA VALLEY UNIFIED SCHOOL DISTRICT**  
**2019 SPECIAL TAX BONDS**

### INTRODUCTION

This Official Statement, including the cover page, inside cover and attached appendices, is provided to furnish information regarding the bonds captioned above (the “**Bonds**”) to be issued by Community Facilities District No. 2014-3 of the Murrieta Valley Unified School District (the “**Community Facilities District**”).

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

*Capitalized terms used but not defined in this Official Statement have the definitions given in the Fiscal Agent Agreement (as defined below).*

**The School District.** The Murrieta Valley Unified School District (the “**School District**”) is located in the southwestern portion of Riverside County (the “**County**”). The School District includes most of the City of Murrieta (the “**City**”) and certain unincorporated areas of the County. The School District currently operates three high schools, four middle schools and 11 elementary schools, along with two alternative schools. The Fiscal Year 2018-19 adopted budget estimates enrollment of approximately 23,120 students. For economic and demographic information regarding the area in and around the School District, see APPENDIX A.

The administration headquarters of the School District are located at 41870 McAlby Court, Murrieta, California. For further information on the School District, see its Internet home page at [www.murrieta.k12.ca.us](http://www.murrieta.k12.ca.us). *This internet address is included for reference only and the information on the Internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement.*

**The Community Facilities District.** The Community Facilities District was formed and established in February 2015 by the Board of Education of the School District (the “**Board**”), as the legislative body of the Community Facilities District, under the Mello-Roos Community Facilities Act of 1982, as amended (the “**Act**”), pursuant to a resolution adopted by the Board following a public hearing, and a landowner election held on the same date at which the qualified electors of the Community Facilities District authorized the Community Facilities District to incur bonded indebtedness and approved the levy of special taxes. See “THE BONDS – Authority for Issuance.”

The following agreements relate to the Community Facilities District:

- an agreement entitled “School Facilities Mitigation Agreement,” made and entered into as of August 14, 2014, by and between the School District and Whitewood 10 Acres LP, a California limited partnership (“**Whitewood 10 Acres LP**”) and assigned by Whitewood 10 Acres LP to Woodside 05S, LP, a California limited partnership (“**Woodside 05S, LP**,” “**Woodside**,” or the “**Developer**”) (the “**Mitigation Agreement**”). See “FINANCING PLAN – Community Facilities District Financing Plan” for further information regarding the Mitigation Agreement.

- an agreement entitled “Joint Community Facilities Agreement,” (undated) (the “**EMWD JCFA**”), by and between the School District and Eastern Municipal Water District (“**EMWD**”) and acknowledged by Whitewood 10 Acres, LP and assigned by Whitewood 10 Acres, LP to Woodside 05S, LP, relating to the property within the Community Facilities District, as it may be amended and supplemented.

**Authority for Issuance of the Bonds.** The Bonds are issued under the Act, certain resolutions adopted by the Board, including the Resolution of Issuance adopted on December 13, 2018 (the “**Resolution of Issuance**”), and a Fiscal Agent Agreement, dated as of January 1, 2019 (the “**Fiscal Agent Agreement**”), by and between the Community Facilities District and Zions Bancorporation, National Association, as fiscal agent (the “**Fiscal Agent**”). See “THE BONDS – Authority for Issuance.”

The Board and the eligible landowner voters in the Community Facilities District have authorized the Community Facilities District to incur bonded indebtedness in an amount not to exceed \$3,000,000. See “THE BONDS – Authority for Issuance.”

The Community Facilities District may issue parity bonds in the future for refunding purposes only, subject to the terms of the Fiscal Agent Agreement. See “THE BONDS – Additional Parity Bonds for Refunding Purposes Only.”

**Purpose of the Bonds.** Proceeds of the Bonds will be used primarily to acquire and construct school facilities to be owned and operated by the School District (“**School District Facilities**”) and sewer and water facilities to be owned and operated by EMWD (“**EMWD Facilities**”).

Bond proceeds will also fund a reserve fund for the Bonds and pay the costs of issuing the Bonds. See “FINANCING PLAN – Estimated Sources and Uses of Funds.”

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

**Security and Sources of Payment for the Bonds.** The Board annually levies special taxes on real property in the Community Facilities District (the “**Special Taxes**”) in accordance with the Rate and Method of Apportionment for the Community Facilities District (the “**Rate and Method**”). The Bonds are secured by and payable from a first pledge of the net proceeds of the Special Taxes (as more particularly defined in the Fiscal Agent Agreement, the “**Net Special Taxes**”). The Bonds will be additionally secured by certain funds and accounts established and held under the Fiscal Agent Agreement. See “SECURITY FOR THE BONDS.”

The Community Facilities District has covenanted in the Fiscal Agent Agreement to cause foreclosure proceedings to be commenced and prosecuted against parcels with delinquent installments of the Special Taxes if certain conditions are met. For a more detailed description of the foreclosure covenant see “SECURITY FOR THE BONDS – Covenant to Foreclose.”

The Community Facilities District has established the “**Reserve Fund**” which will be held by the Fiscal Agent and will be funded in an amount equal to the Reserve Requirement (as defined herein). See “SECURITY FOR THE BONDS – Reserve Fund.” The initial Reserve Requirement as of the date of issuance of the Bonds is \$133,231.26. The ability of the Board, in its capacity as the legislative body of the Community Facilities District, to increase the annual Special Taxes levied to replenish the Reserve Fund is subject to the maximum annual amount of Special Taxes authorized by the qualified voters of the Community Facilities District and the limitation imposed by Section 53321 of the Act. The moneys in the Reserve Fund will be used for payment of principal of, interest and any redemption premium on the Bonds, and at the direction of the Community Facilities District, for payment of rebate obligations related to the Bonds, as described in the Fiscal Agent Agreement. See “SECURITY FOR THE BONDS – Reserve Fund,” “THE COMMUNITY FACILITIES DISTRICT – Special Tax Levy” and APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT – Funds and Accounts – Reserve Fund.”

**Property Ownership.** The Taxable Property within the Community Facilities District is entitled for the development of 83 condominiums known as Ventana at Creekside Village developed by Woodside.

**Appraisal Report.** An appraisal report of the 83 detached condominiums arranged in a courtyard style within Tract Map 36496 within the Community Facilities District, dated November 21, 2018 (the “**Appraisal Report**”), was prepared by Kitty Siino & Associates, Inc., Tustin, California (the “**Appraiser**”), in connection with issuance of the Bonds. The purpose of the Appraisal Report was to estimate the value of the fee simple interest of the property in the Community Facilities District, subject to the Special Tax lien, as of a November 5, 2018, date of value. Subject to the assumptions contained in the Appraisal Report, the Appraiser estimated that the property within the Community Facilities District, subject to the lien of the Special Taxes and overlapping liens, had an estimated value as follows:

<u>Ownership</u>	<u>No. of Units</u>	<u>Appraised Value</u>
Woodside Ownership	11	\$3,280,727
Individually Owners	<u>72</u>	<u>26,991,060</u>
Total	83	\$30,271,787

As of November 5, 2018, the date of value of the Appraisal, 72 condominiums were completed and owned by individual homeowners, while the remaining 11 condominiums were over 95% complete (7 in escrow), including 4 models (none of the 4 models in escrow). As of December 6, 2018, Woodside had closed sales to an additional 7 condominiums. Of the remaining 4 condominiums, each of which was a model unit, as of January 4, 2019, one unit had closed sale to a purchaser, and Woodside anticipates the remaining 3 units will close during the first quarter of 2019. Condominiums under contract may not result in closed escrow as sales contracts are subject to cancellation.

The estimate of value results in an overall appraised value-to-lien ratio of approximately 12.91 to 1 based on the estimated amount of direct and overlapping debt allocated to parcels within the Community Facilities District, including the Bonds, all overlapping debt secured by a tax or assessment on the property within the Community Facilities District, but excluding all overlapping general obligation debt. See “THE COMMUNITY FACILITIES DISTRICT – Appraised Property Value” and APPENDIX C – “APPRAISAL REPORT” for further information on the Appraisal Report.

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

## FINANCING PLAN

### Community Facilities District Financing Plan

**General.** Under the Resolution of Formation adopted by the Community Facilities District, the Community Facilities District is authorized to finance public facilities consisting of School District Facilities and EMWD Facilities. See “THE BONDS – Authority for Issuance – Community Facilities District Proceedings.”

**Mitigation Agreement.** The Mitigation Agreement provided for the formation of the Community Facilities District to finance the acquisition and construction of the School District Facilities in order to mitigate the anticipated impacts on the School District to be caused by the residential development of the property in the Community Facilities District.

The Mitigation Agreement established a mitigation payment amount based on an agreed-upon amount per square foot per unit for the proposed residential development in the Community Facilities District, and provided that the School District would accept payment of this amount as full mitigation of the impacts of the development within the Community Facilities District. The Mitigation Agreement further provides that the proceeds of bonds issued by the Community Facilities District may satisfy all or a portion of this mitigation payment amount.

**EMWD JCFA.** The EMWD JCFA sets forth conditions and procedures for the payment of the EMWD Facilities costs with a portion of the proceeds of the bonds and for the disbursement of a portion of the proceeds of the Bonds for this purpose. The EMWD JCFA provides that Woodside (and their successor and assigns) will remain obligated to pay any EMWD Facilities costs not paid with the proceeds of the Bonds.

### Facilities to be Financed with the Bonds

The proceeds of the Bonds are anticipated to provide approximately \$957,165.22 to acquire and construct certain School District Facilities and approximately \$952,165.22 for EMWD Facilities.

School Facilities include, K-12 school sites, preschool facilities, school facilities, including classrooms, on-site office space at a school, central support and administrative facilities, interim housing, furniture, equipment, technology, buses, and transportation facilities needed by the School District in order to serve the student population to be generated as a result of development of the property within the Community Facilities District, and also includes costs associated with maintenance and operations at school facilities in accordance with the Act.

EMWD Facilities include, the financing of improvements to be constructed, owned, operated or maintained by EMWD, including, but not limited to, sewer and water system facilities, and capacity in existing facilities.



## Estimated Sources and Uses of Funds

The estimated sources and uses of proceeds from the sale of the Bonds are shown below:

### SOURCES

Principal Amount of Bonds	\$2,345,000.00
<i>Less: Net Original Issue Discount</i>	<u>(28,503.30)</u>
<i>Total Sources</i>	\$2,316,496.70

### USES

Deposit into Improvement Fund <sup>(1)</sup>	\$1,909,330.44
Deposit into Reserve Fund <sup>(2)</sup>	133,231.26
Costs of Issuance <sup>(3)</sup>	<u>273,935.00</u>
<i>Total Uses</i>	\$2,316,496.70

- 
- <sup>(1)</sup> Approximately \$957,165.22 will be used for the acquisition and construction of School District Facilities and approximately \$952,165.22 will be used for the acquisition and construction of EMWD Facilities.
- <sup>(2)</sup> Equal to the Reserve Requirement with respect to the Bonds as of their date of delivery. See "SECURITY FOR THE BONDS – Reserve Fund."
- <sup>(3)</sup> Will be used to pay costs of issuance which include, among other things, the fees and expenses of Bond Counsel, Disclosure Counsel and School District Counsel, underwriter's discount, the cost of printing the Preliminary and final Official Statements, fees and expenses of the Fiscal Agent, fees and expenses of the Appraiser, reimbursement of Developer advances and the fees of the Municipal Advisor and the Special Tax Consultant.

*[Remainder of Page Intentionally Left Blank]*

## THE BONDS

*This section generally describes the security for the Bonds set forth in the Fiscal Agent Agreement, which is summarized in more detail in APPENDIX D. Capitalized terms used but not defined in this section are defined in APPENDIX D.*

### Authority for Issuance

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

*Resolutions of Intention:* On August 14, 2014, the Board adopted Resolution No. 14/15-03 stating its intention to establish the Community Facilities District and to authorize the levy of a special tax therein. On August 14, 2014, the Board adopted Resolution No. 14/15-04 stating its intention to incur bonded indebtedness in an amount not to exceed \$3,000,000 in the Community Facilities District for the purpose of financing the School Facilities. See “FINANCING PLAN.”

*Resolution of Formation:* Immediately following a noticed public hearing on February 10, 2015, the Board adopted Resolution No. 14/15-18, which established the Community Facilities District and authorized the levy of special taxes to fund authorized public facilities. On February 10, 2015, the Board also adopted Resolution No. 14/15-19 determining the necessity to incur bonded indebtedness within the Community Facilities District and Resolution No. 14/15-20 calling for a special election for the Community Facilities District.

*Landowner Election and Declaration of Results:* On February 10, 2015, after adoption of Resolution No. 14/15-20, an election was held within the Community Facilities District in which the qualified electors within the Community Facilities District approved a ballot proposition authorizing the Community Facilities District to incur bonded indebtedness of up to \$3,000,000 to finance the acquisition and construction of the School District Facilities and EMWD Facilities, the levy of a special tax and the establishment of an appropriations limit for the Community Facilities District. On February 10, 2015, the Board adopted Resolution No. 14/15-21, by which the Board approved the canvass of the votes and declared the Community Facilities District to have the authority to levy the Special Taxes, to incur the bonded indebtedness and to have the established appropriations limit.

*Resolutions Approving Mitigation Agreement and EMWD JCFA:* On August 14, 2014, the Board approved, the Mitigation Agreement, and on February 10, 2015, the Board adopted Resolution No. 14/15-17 approving the EMWD JCFA.

*Special Tax Lien and Levy:* A Notice of Special Tax Lien was recorded in the official Records of the County on February 18, 2015, as Document Number 2015-0064959.

*Ordinance Levying Special Taxes:* On March 12, 2015, the Board adopted Ordinance No. 14/15-01 levying the Special Taxes of the Community Facilities District.

*Resolution of Issuance:* On December 13, 2018, the Board adopted Resolution No. 18/19-08 approving issuance of the Bonds for the Community Facilities District in an amount not to exceed \$3,000,000.

**School District's Goals and Policies.** The School District adopted "Local Agency Goals and Policies for Community Facilities Districts" on September 10, 1998 (the "**Goals and Policies**"). The Goals and Policies establish an order of priority for financing by community facilities districts and certain credit quality requirements for bonds issued by community facilities districts, namely a 3:1 ratio of property value to public debt. ("**Public Debt**" is defined as community facilities district bonds and other bonds secured by special taxes or special assessments.) Property value may be based on an appraisal or on assessed values. Although the Goals and Policies do not require the value to debt ratio to be 3:1 on a parcel by parcel basis, consideration must be given to the ratio when apportioning special taxes to different parcels, to assure that the property owners will accept their special tax responsibilities. The Goals and Policies also require a debt service reserve fund and declare that bonds may not be issued if delinquencies for the collection of taxes and assessments are greater than 10% on the date of issuance of the bonds.

Exceptions to these policies may be considered by the School District for bonds that do not represent an unusual credit risk, either due to credit enhancement or other reasons specified by the School District. In addition, the School District, by a four-fifths vote of its Board, may determine that a bond issue should proceed for specified public policy reasons without complying with the stated policies.

The Goals and Policies also provide for disclosure of the special tax obligation by developers to a subsequent property owner. Finally, the Goals and Policies establish appraisal standards relating to the valuation of property in order to meet the 3:1 value to public debt ratio.

The School District and the Community Facilities District have determined that issuance of the Bonds conforms with the School District's Goals and Policies.

## **General Bond Terms**

**Dated Date, Maturity and Authorized Denominations.** The Bonds will be dated their date of delivery (the "**Delivery Date**") and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple of \$5,000.

**Interest.** The Bonds will bear interest at the annual rates set forth on the inside cover page of this Official Statement, payable semiannually on each March 1 and September 1, commencing September 1, 2019 (each, an "**Interest Payment Date**") until the principal sum of the Bonds has been paid.

Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless

(i) it is authenticated on an Interest Payment Date, in which event it will bear interest from such date of authentication, or

(ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date (as defined below) preceding such Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or

(iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it will bear interest from the Closing Date;

*provided, however,* that if at the time of authentication of a Bond, interest is in default thereon, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

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

**DTC and Book-Entry Only System.** DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered initially in the name of Cede & Co. (DTC’s partnership nominee). See APPENDIX E – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

**Payments of Interest and Principal.** For so long as DTC is used as depository for the Bonds, principal of, premium, if any, and interest payments on the Bonds will be made solely to DTC or its nominee, Cede & Co., as registered owner of the Bonds, for distribution to the beneficial owners of the Bonds in accordance with the procedures adopted by DTC.

Interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Fiscal Agent mailed on the Interest Payment Dates by first class mail to the registered Owner thereof at the registered Owner’s address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer (i) to the Depository (so long as the Bonds are in book-entry form), or (ii) to an account within the United States made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds, which instructions will continue in effect until revoked in writing, or until such Bonds are transferred to a new Owner.

The principal of the Bonds and any premium on the Bonds, upon the redemption thereof, are payable by check in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent.

## **Redemption**

**Optional Redemption.** The Bonds maturing on or before September 1, 2025, are not subject to optional call and redemption prior to maturity. The Bonds maturing on or after September 1, 2026, are subject to optional call and redemption prior to maturity, as a whole or in part among such maturities as are selected by the Community Facilities District and by lot within a maturity, on any Interest Payment Date on or after September 1, 2025, from funds derived by the Community Facilities District from any source, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
September 1, 2025 and March 1, 2026	103%
September 1, 2026 and March 1, 2027	102
September 1, 2027 and March 1, 2028	101
September 1, 2028 and any Interest Payment Date thereafter	100

**Special Mandatory Redemption from Prepaid Special Taxes.** The Bonds are subject to mandatory call and redemption prior to maturity, as a whole or in part among such maturities as are selected by the Community Facilities District and by lot within a maturity, on any Interest Payment Date, on or after September 1, 2019, from amounts in the Special Tax Prepayments Account available to redeem Bonds under the Fiscal Agent Agreement, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:



<u>Redemption Date</u>	<u>Redemption Price</u>
Any Interest Payment Date from September 1, 2019 through March 1, 2026	103%
September 1, 2026 and March 1, 2027	102
September 1, 2027 and March 1, 2028	101
September 1, 2028 and any Interest Payment Date thereafter	100

Such Special Tax prepayments could be made by any of the owners of any of the property within the Community Facilities District including the Developer, or any individual owner; and they could also be made from the proceeds of bonds issued by or on behalf of an over-lapping special assessment district or community facilities district. The resulting mandatory redemption of Bonds that were purchased at a price greater than the applicable redemption price could reduce the otherwise expected yield on such Bonds. See “BOND OWNERS’ RISKS – Special Mandatory Redemption from Prepaid Special Taxes.”

***Mandatory Sinking Payment Redemption.*** The Bonds maturing on September 1, 2043 (the “**2043 Term Bonds**”) are subject to mandatory sinking payment redemption in part on September 1, 2039, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from sinking payments as follows:

**2043 Term Bonds**

<u>Sinking Fund Redemption Date (September 1)</u>	<u>Sinking Payments</u>
2039	\$90,000
2040	90,000
2041	95,000
2042	100,000
2043 (final maturity)	105,000

The Bonds maturing on September 1, 2048 (the “**2048 Term Bonds**”) are subject to mandatory sinking payment redemption in part on September 1, 2044, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from sinking payments as follows:

**2048 Term Bonds**

<u>Sinking Fund Redemption Date (September 1)</u>	<u>Sinking Payments</u>
2044	\$110,000
2045	110,000
2046	115,000
2047	120,000
2048 (final maturity)	125,000

The amounts in the foregoing tables will be reduced as a result of any prior partial optional redemption of the Bonds or partial mandatory redemption of the Bonds from Special Tax prepayments as described above, as specified in writing by an Authorized Officer to the Fiscal Agent.

***Purchase in Lieu of Redemption.*** In lieu of any redemption under the Fiscal Agent Agreement, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding Bonds, upon the filing with the Fiscal Agent of a written direction of an Authorized Officer requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such written direction may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such Bonds were to be redeemed in accordance with the Fiscal Agent Agreement.

***Notice of Redemption.*** The Fiscal Agent will cause notice of any redemption to be mailed by first-class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the Underwriter, to the Securities Depositories, to the Information Service, and to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books in the Principal Office of the Fiscal Agent; but such mailing will not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of such Bonds.

*However, while the Bonds are subject to DTC's book-entry system the Fiscal Agent will be required to give notice of redemption only to DTC as provided in the letter of representations executed by the Community Facilities District and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of redemption to the beneficial owners of the Bonds to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any Bonds to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption set forth in the Fiscal Agent Agreement.*

***Selection of Bonds for Redemption.*** Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the Bonds of a single maturity of the same issue, the Fiscal Agent will select the Bonds of that maturity to be redeemed by lot in any manner which the Fiscal Agent in its sole discretion deems appropriate. For purposes of such selection, the Fiscal Agent will treat each Bond as consisting of separate \$5,000 portions and each such portion will be subject to redemption as if such portion were a separate Bond.

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

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

***Effect of Redemption.*** From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the Bonds so called for redemption have been deposited in the Bond Fund, such Bonds so called will cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice.

### **Additional Parity Bonds for Refunding Purposes Only**

The Community Facilities District may from time to time issue additional Parity Bonds but only to refund and discharge the Bonds or any portion thereof or any such Parity Bonds in accordance with the Act. Any such Parity Bonds will constitute Bonds under the Fiscal Agent Agreement and will be secured by a lien on the Net Special Taxes and funds pledged for the payment of the Bonds on a parity with all other Outstanding Bonds under the Fiscal Agent Agreement.

### **Registration, Transfer and Exchange**

*The following provisions regarding the exchange and transfer of the Bonds apply only during any period in which the Bonds are not subject to DTC's book-entry system. While the Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC. See APPENDIX E – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."*

***Registration.*** The Fiscal Agent will keep or cause to be kept, at its Principal Office, sufficient books for the registration and transfer of the Bonds, which books will show the series number, date, amount, rate of interest and last known Owner of each Bond, and will at all times be open to inspection by the Community Facilities District during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the ownership of the Bonds as provided in the Fiscal Agent Agreement.

The Community Facilities District and the Fiscal Agent will treat the owner of any Bond whose name appears on the Bond Register as the absolute Owner of such Bond for any and all purposes, and the Community Facilities District and the Fiscal Agent will not be affected by any notice to the contrary. The Community Facilities District and the Fiscal Agent may rely on the address of the Owner as it appears in the Bond Register for any and all purposes.

***Transfer of Bonds.*** Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept by the Fiscal Agent by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Fiscal Agent. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer will be paid by the Community Facilities District. The Fiscal Agent will collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer.

Whenever any Bond or Bonds are surrendered for transfer, the Community Facilities District will execute and the Fiscal Agent will authenticate and deliver a new Bond or Bonds, for like aggregate principal amount of authorized denominations.

No transfers of Bonds will be required to be made (i) 15 days prior to the date established by the Fiscal Agent for selection of Bonds for redemption, (ii) with respect to a Bond after such Bond has been selected for redemption, or (iii) between a Record Date and the succeeding Interest Payment Date.

***Exchange of Bonds.*** Bonds may be exchanged at the Principal Office of the Fiscal Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same series and maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such exchange will be paid by the Community Facilities District. The Fiscal Agent will collect from the Owner requesting such exchange any tax or other governmental charge required to be paid with respect to such exchange.

No exchanges of Bonds will be required to be made (i) 15 days prior to the date established by the Fiscal Agent for selection of Bonds for redemption, (ii) with respect to a Bond after such Bond has been selected for redemption, or (iii) between a Record Date and the succeeding Interest Payment Date.

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**Debt Service Schedule**

The following table presents the annual debt service on the Bonds (including sinking fund redemptions), assuming there are no optional or special mandatory redemptions.

**Table 1**

**Community Facilities District No. 2014-3 of the  
Murrieta Valley Unified School District  
2019 Special Tax Bonds**

**Debt Service Schedule**

Year Ending September 1	Principal	Interest	Total Debt Service
2019	\$70,000	\$49,749.84	\$119,749.84
2020	45,000	83,481.26	128,481.26
2021	50,000	82,581.26	132,581.26
2022	50,000	81,081.26	131,081.26
2023	50,000	79,581.26	129,581.26
2024	55,000	77,581.26	132,581.26
2025	55,000	75,381.26	130,381.26
2026	60,000	73,181.26	133,181.26
2027	60,000	71,681.26	131,681.26
2028	60,000	70,031.26	130,031.26
2029	65,000	68,231.26	133,231.26
2030	65,000	66,281.26	131,281.26
2031	65,000	64,250.00	129,250.00
2032	70,000	62,137.50	132,137.50
2033	70,000	59,687.50	129,687.50
2034	75,000	57,237.50	132,237.50
2035	75,000	54,612.50	129,612.50
2036	80,000	51,800.00	131,800.00
2037	80,000	48,800.00	128,800.00
2038	85,000	45,800.00	130,800.00
2039	90,000	42,400.00	132,400.00
2040	90,000	38,800.00	128,800.00
2041	95,000	35,200.00	130,200.00
2042	100,000	31,400.00	131,400.00
2043	105,000	27,400.00	132,400.00
2044	110,000	23,200.00	133,200.00
2045	110,000	18,800.00	128,800.00
2046	115,000	14,400.00	129,400.00
2047	120,000	9,800.00	129,800.00
2048	125,000	5,000.00	130,000.00
<b>Total</b>	<b>\$2,345,000</b>	<b>\$1,569,568.70</b>	<b>\$3,914,568.70</b>

*Source: Underwriter.*

## SECURITY FOR THE BONDS

*This section generally describes the security for the Bonds set forth in the Fiscal Agent Agreement, which is summarized in more detail in APPENDIX D. Capitalized terms used but not defined in the section are defined in APPENDIX D.*

### General

The payment of the principal of, and interest and any premium on, the Bonds are secured by a first pledge of the following:

- all of the Net Special Taxes; and
- all moneys deposited in the Bond Fund and in the Reserve Fund and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund.

The Net Special Taxes and all moneys deposited into these 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 as provided in the Fiscal Agent Agreement and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities (as defined in the Fiscal Agent Agreement) have been set aside irrevocably for that purpose in accordance with the Fiscal Agent Agreement.

Amounts in the Administrative Expense Fund, the Costs of Issuance Fund and the Improvement Fund are not pledged to the repayment of the Bonds. The facilities acquired with the proceeds of the Bonds are not in any way pledged to pay the Debt Service on the Bonds. Any proceeds of condemnation or destruction of any facilities financed with the proceeds of the Bonds are not pledged to pay the Debt Service on the Bonds and are free and clear of any lien or obligation imposed under the Fiscal Agent Agreement.

“**Net Special Taxes**” are defined in the Fiscal Agent Agreement as, after the Administrative Expense Requirement (\$15,000) is funded to the Administrative Expense Fund, the proceeds of the Special Taxes received by the Community Facilities District, including any scheduled payments, interest thereon, collections of any delinquent Special Taxes and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon.

Net Special Taxes does not include any penalties or costs of collecting delinquent Special Taxes collected in connection with delinquent Special Taxes.

### Limited Obligation

**The Bonds and interest thereon are not payable from the general fund of the Community Facilities District or the School District. Except with respect to the Net Special Taxes, neither the credit nor the taxing power of the Community Facilities District or the School District is pledged for the payment of the Bonds or interest thereon, and no Owner of the Bonds may compel the exercise of the taxing power by the Community Facilities District or the School District or the forfeiture of any of their property.**

**The principal of and interest on the Bonds and premiums upon the redemption of any thereof are not a debt of the Community Facilities District (except to the limited extent described in this Official Statement) or the School District, the State of California (the “State”) nor any of its political subdivisions, within the meaning of any constitutional or statutory limitation or restriction. The Bonds are not a legal or equitable pledge, charge, lien or encumbrance, upon any property or income, receipts or revenues of the Community Facilities District or the School District, except the Net Special Taxes that are, under the terms**

**of the Fiscal Agent Agreement, set aside for the payment of the Bonds and interest thereon. Neither the members of the Board nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.**

## **Special Taxes**

***Covenant to Levy Special Taxes.*** The Community Facilities District will covenant in the Fiscal Agent Agreement to comply with all requirements of the Act so as to assure the timely collection of Special Taxes, including without limitation, the enforcement of delinquent Special Taxes.

On or within 5 Business Days of each June 1, the Fiscal Agent will provide an Authorized Officer with a notice stating the amount then on deposit in the Bond Fund and the Reserve Fund, and informing the Community Facilities District of the amount needed to provide for Annual Debt Service, Administrative Expenses known to the Fiscal Agent and replenishment (if necessary) of the Reserve Fund so that the balance therein equals the Reserve Requirement.

Upon receipt of such notice, the Authorized Officer will communicate with the County Auditor (the “**Auditor**”) to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year.

An Authorized Officer will effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each August 10 that the Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which the Auditor will accept the transmission of the Special Tax amounts for the parcels within the Community Facilities District for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, an Authorized Officer 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 real property tax roll.

An Authorized Officer will fix and levy the amount of Special Taxes within the Community Facilities District required for the payment of principal of and interest on any Outstanding Bonds of the Community Facilities District becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Administrative Expenses (including amounts necessary to discharge any obligation under the Fiscal Agent Agreement for rebating excess earnings to the federal government) during such year.

The Special Taxes so levied may not exceed the authorized amounts as provided pursuant to the Resolution of Formation.

***Manner of Collection.*** The Fiscal Agent Agreement provides that the Special Taxes 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 *ad valorem* taxes on real property.

Notwithstanding the foregoing, an Authorized Officer may, in his discretion, cause the collection of any Special Taxes by direct, first-class mail billing to the then owner of each parcel so owned in lieu of billing for such Special Taxes in the same manner as general taxes as described above. Such direct mail billing will be made not later than November 1 of the Fiscal Year and will direct the owner of the property affected to pay the Special Taxes directly to the Community Facilities District in two equal installments, the first of which will be due and delinquent if not paid on December 10 and the second of which may be paid with the first and which, in any event, will be due and delinquent if not paid on April 10 of the Fiscal Year. Any such Special Taxes so billed will have the same

priority and bear the same proportionate penalties and interest after delinquency as do the *ad valorem* taxes on real property.

***Other Covenants Regarding Special Tax Levy.*** The Community Facilities District has covenanted not to conduct or consent to proceedings with respect to a reduction in the maximum Special Taxes that may be levied in the Community Facilities District on Developed Property below an amount, for any Fiscal Year, equal to the Administrative Expense Requirement plus 110% of the Annual Debt Service due in such Fiscal Year. The ability of the Community Facilities District to increase the special tax levy on residential property is subject to limitations under the Act. See “BOND OWNERS’ RISKS.”

*Because the Special Tax levy is limited to the Maximum Special Tax (as defined in the Rate and Method) rates set forth in the Rate and Method, no assurance can be given that, in the event of Special Tax delinquencies, the receipts of Special Taxes will, in fact, be collected in sufficient amounts in any given year to pay debt service on the Bonds.*

## **Rate and Method**

***General.*** The Special Taxes will be levied and collected according to the Rate and Method, which provides the means by which the Board may annually levy the Special Taxes within the Community Facilities District, up to the Maximum Special Tax, and to determine the amount of the Special Taxes that will need to be collected each Fiscal Year from the Taxable Property (as herein after defined) within the Community Facilities District.

The following is a synopsis of the provisions of the Rate and Method, which should be read in conjunction with the complete text of the Rate and Method, including its attachments, which is attached as APPENDIX B. Capitalized terms used but not defined in this section have the meanings as set forth in APPENDIX B. *This section provides only a summary of the Rate and Method, and is qualified by more complete and detailed information contained in the entire Rate and Method attached as APPENDIX B.*

### ***Special Tax Requirement.***

The Rate and Method defines the “**Special Tax Requirement**” as the amount required in any Fiscal Year to pay the following:

- the debt service or the periodic costs on all outstanding Bonds,
- Administrative Expenses (as further described in the Rate and Method),
- the costs associated with the release of funds from an escrow account(s) established in association with the Bonds,
- any amount required to establish or replenish any reserve funds (or accounts thereof) established in association with the Bonds, and
- the collection or accumulation of funds for the acquisition or construction of school facilities and certain costs associated with the maintenance and operations of school facilities and certain costs associated with the maintenance and operations of the school facilities authorized by the Community Facilities District provided that the inclusion of such amount does not cause an increase in the levy of Special Tax on Approved Property, Undeveloped Property, or Provisional Undeveloped Property as set forth in the Rate and Method,



- *less* any amount(s) available to pay debt service or other periodic costs on the Bonds pursuant to any applicable bond indenture, fiscal agent agreement, trust agreement, or equivalent agreement or document.

In arriving at the Special Tax Requirement, the Administrator will take into account the reasonably anticipated delinquent Special Taxes, provided that the amount included cannot cause the Special Tax levy on an Assessor Parcel of Developed Property to increase by greater than ten percent (10%) of what would have otherwise been levied.

**Classification of Parcels.** Each Fiscal Year, all Assessor’s Parcels within the Community Facilities District will be classified as either Taxable Property or Exempt Property. In addition, each Assessor’s Parcel of Taxable Property will be classified as Developed Property, Approved Property, Undeveloped Property or Provisional Undeveloped Property. Developed Property will be further assigned to a Land Use Class, according to the table below, based on the Building Square Footage of each Unit.

Developed Property Land Use Class	Developed Property Building Square Footage
1	≤ 1,900 sq. ft.
2	1,901 - 2,000 sq. ft.
3	2,001 - 2,100 sq. ft.
4	≥ 2,101 sq. ft.

The classification of Exempt Property will take into consideration the Minimum Taxable Acreage as determined pursuant to Section K of the Rate and Method.

“**Taxable Property**” means all Assessor’s Parcels which are not Exempt Property.

“**Exempt Property**” is defined as follows:

- (i) Assessor’s Parcels owned by the State of California, federal or other local governments,
- (ii) Assessor’s Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization,
- (iii) Assessor’s Parcels owned by a homeowners’ association,
- (iv) Assessor’s Parcels burdened with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, or
- (v) any other Assessor’s Parcels at the reasonable discretion of the Board, provided that no such classification would reduce the Net Taxable Acreage to less than 5.4900 in the Community Facilities District (the “**Minimum Taxable Acreage**”).

Notwithstanding the above, the Administrator or Board shall not classify an Assessor’s Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property to less than the Minimum Taxable Acreage. Assessor’s Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than the Minimum Taxable Acreage will be classified as Provisional Undeveloped Property, as applicable, and will continue to be subject to Special Taxes accordingly.

**“Developed Property”** means all Assessor’s Parcels of Taxable Property for which building permit(s) were issued on or before May 1 of the prior Fiscal Year, provided that such Assessor’s Parcels were created on or before January 1 of the prior Fiscal Year, as determined reasonably by the Administrator.

**“Approved Property”** means all Assessor’s Parcels of Taxable Property that (i) are associated with a Lot in a Final Map that was recorded prior to the January 1<sup>st</sup> preceding the Fiscal Year in which the Special Tax is being levied and (ii) have not been issued a building permit prior to the May 1<sup>st</sup> preceding the Fiscal Year in which the Special Tax is being levied.

**“Undeveloped Property”** means all Assessor’s Parcels of Taxable Property which are not Developed Property or Approved Property.

**“Provisional Undeveloped Property”** means all Assessor’s Parcels of Taxable Property that would otherwise be classified as Exempt Property pursuant to Section K of the Rate and Method, but cannot be classified as Exempt Property because to do so would reduce the Net Taxable Acreage below the required Minimum Taxable Acreage.

**Maximum Special Taxes.** Under the Rate and Method, the Maximum Special Tax which can be levied by the Community Facilities District in any Fiscal Year on any Assessor’s Parcel (the **“Maximum Special Tax”**) is determined by referenced to its classification as follows:

*Developed Property.* The Maximum Special Tax for each Assessor’s Parcel classified as Developed Property shall be the greater of the amount derived by the application of the (a) Assigned Annual Special Tax or (b) Backup Annual Special Tax.

*Approved Property.* The Maximum Special Tax for each Assessor’s Parcel classified as Approved Property shall be derived by the application of the Assigned Annual Special Tax.

*Undeveloped Property; Provisional Undeveloped Property.* The Maximum Special Tax for each Assessor’s Parcel classified as Undeveloped Property or Provisional Undeveloped Property shall be derived by the application of the Assigned Annual Special Tax.

**Assigned Annual Special Tax.**

*Developed Property.* The Assigned Annual Special Tax for each Assessor’s Parcel of Developed Property will be determined in accordance with the following table according to the Land Use Class of the unit:

Land Use Class	Building Square Footage	Assigned Annual Special Tax
1	≤ 1,900 sq. ft.	\$1,822.56 per Unit
2	1,901 - 2,000 sq. ft.	1,870.01 per Unit
3	2,001 - 2,100 sq. ft.	1,924.23 per Unit
4	≥ 2,101 sq. ft.	1,971.68 per Unit

There is no escalation of the Assigned Annual Special Tax Rate.

*Approved Property, Undeveloped Property and Provisional Undeveloped Property.* The Assigned Annual Special Tax for each Assessor’s Parcel of Approved Property, Undeveloped Property or Provisional Undeveloped Property shall be \$28,889.92 per acre of Acreage.

**Backup Annual Special Tax.** The Backup Annual Special Tax rate for an Assessor's Parcel of Developed Property within a Final Map shall be the rate per Lot calculated in accordance with the following formula in the Fiscal Year in which such Final Map is created, subject to increases as described below:

- the Assigned Annual Special Tax per Acre of Undeveloped Property in the Fiscal Year the calculation is performed, *multiplied by*
- the Acreage of Taxable Property expected to exist in such Final Map at the time of calculation, as determined by the Administrator, *divided by*
- the number of Lots in the applicable Final Map at the time of calculation.

The Backup Annual Special Tax is subject to adjustment if all or any portion of a Final Map is changed or modified, as set forth in Section E of the Rate and Method.

**Method of Apportionment.** Under the Rate and Method, each Fiscal Year, the Board will levy Annual Special Taxes on all Taxable Property in accordance with the following steps:

*Step One:* The Special Tax shall be levied on each Assessor's Parcel of Developed Property at the Assigned Annual Special Tax applicable to each such Assessor's Parcel.

*Step Two:* If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Annual Special Tax will be levied Proportionately on each Assessor's Parcel of Approved Property up to 100% of the Assigned Annual Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.

*Step Three:* If additional moneys are needed to satisfy the Special Tax Requirement after the second step has been completed, the Special Tax will be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Assigned Annual Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.

*Step Four:* If additional moneys are needed to satisfy the Special Tax Requirement after the third step has been completed, the Special Tax on each Assessor's Parcel of Developed Property, whose Maximum Special Tax is the Backup Annual Special Tax, will be increased Proportionately from the Assigned Annual Special Tax up to 100% of the Backup Annual Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.

*Step Five:* If additional moneys are needed to satisfy the Special Tax Requirement after the fourth step has been completed, the Special Tax will be levied Proportionately on each Assessor's Parcel of Provisional Undeveloped Property up to 100% of the Assigned Annual Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.

**Full Prepayment of Annual Special Taxes.** The Annual Special Tax obligation of an Assessor's Parcel of Taxable Property may be prepaid, provided that the terms set forth under the Rate and Method are satisfied, including (among others) the following conditions:

- There are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel.

- No prepayment will be allowed unless the amount of Assigned Annual Special Taxes that may be levied on Taxable Property, excluding Provisional Undeveloped Property, after such prepayment, net of Administrative Expenses, is at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year and such prepayment will not impair the security of all currently outstanding Bonds, as reasonably determined by the Administrator. Such determination will include identifying all Assessor's Parcels that are expected to be classified as Exempt Property.

The Prepayment Amount (as defined in the Rate and method) is generally calculated as the present value of the current and future Special Taxes applicable to the parcel being prepaid, *less* a credit for the corresponding reduction in the reserve requirement for the Bonds, *plus* the fees and administrative expenses of the Community Facilities District associated with the prepayment, all as set forth in further detail in APPENDIX B.

***Partial Prepayment of Annual Special Taxes.***

The Annual Special Tax obligation of an Assessor's Parcel of Taxable Property may be partially prepaid in increments of ten (10) units, provided that the terms set forth under the Rate and Method are satisfied, including (among others) the following conditions:

- There are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcels at the time the Special Tax obligation would be partially prepaid.
- No partial prepayment will be allowed unless the amount of Special Taxes that may be levied on Taxable Property, excluding Provisional Undeveloped Property, after such partial prepayment, net of Administrative Expenses, will be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year and such partial prepayment will not impair the security of all currently outstanding Bonds, as reasonably determined by the Administrator. Such determination will include identifying all Assessor's Parcels that are expected to be classified as Exempt Property.

The partial prepayment amount is calculated as the Prepayment Amount determined for full prepayment of Special Taxes, as set forth above, multiplied by the percentage by which the owner of the Assessor's Parcel is partially prepaying the Annual Special Tax obligation, all as set forth in further detail in APPENDIX B.

***Duration of Special Tax Levy.*** Annual Special Taxes will be levied for a term of three (3) Fiscal Years after the last series of Bonds have been issued, provided that the Special Tax will not be levied later than Fiscal Year 2055-56.

***Appeals.*** Any property owner claiming that the amount or application of the Special Tax levied is not correct may file a written notice of appeal with the Administrator, subject to the conditions set forth in the Rate and Method.

***Manner of Collection.*** The Special Tax will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes and subject to the same penalties, the same procedure, sale and lien priority in the case of delinquency, *provided, however*, that the Community Facilities District may directly bill all or a portion of the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

## **Covenant to Foreclose**

***Sale of Property for Nonpayment of Taxes.*** The Fiscal Agent Agreement provides that the Special Taxes are to be payable and collected in the same manner, 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 *ad valorem* taxes on real property. The Community Facilities District may also cause the collection of any Special Taxes by direct, first-class mail billing to the then owner of each parcel so owned in lieu of billing for such Special Taxes as described above. Finally, the Fiscal Agent Agreement contains a special covenant for foreclosure described below.

***Foreclosure Under the Act and Fiscal Agent Agreement.*** Under Section 53356.1 of the Act, if any delinquency occurs in the payment of the Special Tax, the Community Facilities District may order the institution of a Superior Court action to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale.

Such judicial foreclosure action is not mandatory. However, the Community Facilities District has covenanted in the Fiscal Agent Agreement that, on or about February 15 and June 15 of each Fiscal Year, an Authorized Officer will compare the amount of Special Taxes to be collected on the December 10 and April 10 installments of the secured property tax bills to the amount of Special Taxes actually received by the Community Facilities District in those installments, and proceed as set forth below:

***Individual Delinquencies.*** If the Authorized Officer determines that any single parcel subject to the Special Tax is delinquent in the payment of 5 or more installments of the Special Taxes, or a single owner of multiple parcels is delinquent in the payment of Special Taxes in the amount of \$10,000 or more, then the Authorized Officer will send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings will be commenced by the Community Facilities District within 90 days of a June 15th determination against each such parcel; *provided, however*, that the Community Facilities District may elect not to go forward on foreclosure proceedings if the Reserve Fund established by the Fiscal Agent Agreement is fully funded and such delinquencies are not expected to result in a draw on the Reserve Fund in both the then-current and immediately following Fiscal Years.

***Aggregate Delinquencies.*** If the Authorized Officer determines that the total amount of delinquent Special Taxes for the prior Fiscal Year (after both the first and second installments) for the Community Facilities District (including the total of individual delinquencies determined as set forth above), exceeds 5% of the total Special Taxes due and payable for the prior Fiscal Year, the Community Facilities District will notify or cause to be notified all property owners who are then delinquent in the payment of Special Taxes and demand immediate payment of the delinquency within 45 days of a June 15th determination, and will commence foreclosure proceedings within 90 days of a June 15th determination against each parcel in the Community Facilities District with a Special Tax delinquency; *provided, however*, that the Community Facilities District may elect not to go forward on foreclosure proceedings for aggregate delinquencies if the Reserve Fund established by the Fiscal Agent Agreement is fully funded and such delinquencies are not expected to result in a draw on the Reserve Fund in both the then-current and immediately following Fiscal Years.

***Sufficiency of Foreclosure Sale Proceeds; Foreclosure Limitations and Delays.*** No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. The Act does not require the Community Facilities District to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale.

Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75% of the outstanding Bonds is obtained. However, under Section 53356.5 of the Act, the Community Facilities District, as judgment creditor, is entitled to purchase any property sold at foreclosure using a “credit bid,” where the Community Facilities District could submit a bid crediting all or part of the amount required to satisfy the judgment for the delinquent amount of the Special Taxes. If the Community Facilities District becomes the purchaser under a credit bid, the Community Facilities District must pay the amount of its credit bid into the redemption fund established for the Bonds, but this payment may be made up to 24 months after the date of the foreclosure sale.

Foreclosure by court action is subject to normal litigation delays, the nature and extent of which are largely dependent on the nature of the defense, if any, put forth by the debtor and the Superior Court calendar. In addition, the ability of the Community Facilities District to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the property owner if the property is owned by or in receivership of the Federal Deposit Insurance Corporation (the “FDIC”). See “BOND OWNERS’ RISKS – Bankruptcy Delays.”

**No Teeter Plan.** Because the Community Facilities District does not participate in the “Teeter Plan” (which is the County’s Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds, as provided for in Section 4701 et seq. of the California Revenue and Taxation Code), collections of Special Taxes will reflect actual collections and delinquencies.

## **Special Tax Fund**

**Deposits.** Under the Fiscal Agent Agreement, the Special Tax Fund is established as a separate fund to be held by the Fiscal Agent, to the credit of which the Community Facilities District will cause all Special Taxes received by the Community Facilities District to be deposited; provided that any proceeds of Special Tax prepayments will be transferred by an Authorized Officer to the Fiscal Agent for deposit by the Fiscal Agent in the Special Tax Prepayments Account.

Moneys in the Special Tax Fund will be held by the Fiscal Agent for the benefit of the Community Facilities District and the Owners, will be disbursed as described below and, pending disbursement, will be subject to a lien in favor of the Owners and the Community Facilities District.

**Disbursements.** From time to time as needed to pay the obligations of the Community Facilities District, but no later than the Business Day before each Interest Payment Date, the Fiscal Agent will withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority:

(i) to the Administrative Expense Fund an amount, up to the Administrative Expense Requirement (\$15,000), that an Authorized Officer directs the Fiscal Agent in writing to deposit in the Administrative Expense Fund for payment of Administrative Expenses;

(ii) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund including any expected transfers from the Improvement Fund and the Special Tax Prepayments Account to the Bond Fund, such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on the next Interest Payment Date;

(iii) to the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund, such that the amount in the Reserve Fund is equal to the Reserve Requirement; and

(iv) to the Administrative Expense Fund the amount of Administrative Expenses in excess of the amount previously transferred thereto pursuant to (i) above, as directed in writing by an Authorized Officer; provided that the amounts the Authorized Officer directs the Fiscal Agent to transfer from time to time to the Administrative Expense Fund may not exceed, in any Fiscal Year, the amount included in the Special Tax levy for such Fiscal Year for Administrative Expenses.

At any time following the deposit of Special Taxes in an amount sufficient to make payment of all of the foregoing deposits for the current Bond Year, any amounts in excess of such amounts remaining in the Special Tax Fund will, upon the written direction of an Authorized Officer, be transferred by the Fiscal Agent to the Special Tax Remainder Account, to be used for any lawful purpose under the Act. In the absence of such written direction, all amounts remaining in the Special Tax Fund on the 30<sup>th</sup> day of the succeeding Bond Year will be retained in the Special Tax Fund and applied to the succeeding Bond Year's Annual Debt Service; *provided, however*, that in no event will such amount be invested at a yield in excess of the yield on the Bonds.

## **Bond Fund**

**General.** Moneys in the Bond Fund and the separate account therein will be held by the Fiscal Agent for the benefit of the Owners, will be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement, and, pending such disbursement, will be subject to a lien in favor of the Owners.

**Principal and Interest.** On each Interest Payment Date, the Fiscal Agent will withdraw from the Bond Fund and pay to the Owners the principal, and interest and any premium, then due and payable on the Bonds, including any amounts due on the Bonds by reason of the sinking payments required by the Fiscal Agent Agreement or a mandatory redemption of the Bonds from Special Tax prepayments, such payments to be made in the priority listed below.

Notwithstanding the foregoing, amounts in the Bond Fund as a result of a transfer from excess amounts in the Improvement Fund or excess amounts in the Reserve Fund will be used to pay the principal of and interest on the Bonds prior to the use of any other amounts in the Bond Fund for such purpose.

If amounts in the Bond Fund are insufficient for the purposes described in the preceding paragraph, the Fiscal Agent will withdraw from the Reserve Fund to the extent of any funds therein amounts to cover the amount of such Bond Fund insufficiency. Amounts so withdrawn from the Reserve Fund will be deposited in the Bond Fund.

If, after the foregoing transfers, there are insufficient funds in the Bond Fund to make all of the payments of principal, and interest and any premium, then due and payable on the Bonds, the Fiscal Agent will apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, and then to payment of principal due on the Bonds by reason of sinking payments. Any sinking payment not made as scheduled will be added to the sinking payment to be made on the next sinking payment date.

**Special Tax Prepayments Account.** Moneys in the Special Tax Prepayments Account will be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption can timely be given for mandatory redemption of Bonds, and notice to the Fiscal Agent can timely be given under the Fiscal Agent Agreement, and will be used (together with any amounts transferred from the Reserve Fund) to redeem Bonds on the redemption date selected in accordance with the Fiscal Agent Agreement.



## Reserve Fund

**General.** Moneys in the Reserve Fund will be held by the Fiscal Agent for the benefit of the Owners as a reserve for the payment of principal of, and interest and any premium on, the Bonds and will be subject to a lien in favor of the Owners.

**Disbursements.** Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the Reserve Fund will be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the Bonds or, in accordance with the Fiscal Agent Agreement, for the purpose of redeeming Bonds.

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

**Reserve Requirement.** The “**Reserve Requirement**” is defined in the Fiscal Agent Agreement to mean, as of any date of calculation, an amount equal to the least of the following:

- (i) the then Maximum Annual Debt Service on the Bonds and Parity Bonds,
- (ii) 125% of the then average Annual Debt Service on the Bonds and Parity Bonds, or
- (iii) 10% of the initial principal amount of the Bonds and Parity Bonds.

As of the Closing Date, the Reserve Requirement is \$133,231.26. See “FINANCING PLAN – Estimated Sources and Uses of Funds.”

**Transfer Upon Special Tax Prepayment.** Whenever Special Taxes are prepaid and Bonds are to be redeemed with the proceeds of such prepayment a proportionate amount in the Reserve Fund (determined on the basis of the principal of Bonds to be redeemed and the original aggregate principal amount of the Bonds, and calculated with reference to the calculation of the Special Tax prepayment amount in the Rate and Method) will be transferred on the Business Day prior to the redemption date by the Fiscal Agent to the Bond Fund to be applied to the redemption of the Bonds; provided, however, that such amount will be transferred only if and to the extent that the amount remaining on deposit in the Reserve Fund will be at least equal to the Reserve Requirement (excluding from the calculation thereof said Bonds to be redeemed) following such transfer.

## Investment of Moneys in Funds

Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent will be invested by the Fiscal Agent in Authorized Investments, as directed in writing by the Community Facilities District, subject to certain restrictions in the Fiscal Agent Agreement. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” for a definition of “Authorized Investments” and other restrictions on the investment of moneys in the funds and accounts held under the Fiscal Agent Agreement.

## **Parity Bonds for Refunding Purposes Only**

The Community Facilities District may from time to time issue additional Parity Bonds in addition to the Bonds, but only to refund and discharge the Bonds or any portion thereof. Any such Parity Bonds shall be secured by a lien on the Net Special Taxes and funds pledged for the payment of the Bonds on a parity with all other Outstanding Bonds.

### **THE COMMUNITY FACILITIES DISTRICT**

#### **General**

**Background.** The Community Facilities District was formed in 2015 and is authorized to levy its own special taxes and to issue its own series of special tax bonds secured by those special taxes. See “THE BONDS – Authority for Issuance.” The Bonds are secured only by the Net Special Taxes levied within the Community Facilities District. See “SECURITY FOR THE BONDS.”

**Location.** The Community Facilities District is comprised of approximately 10.69 gross acres in the southern portion of the City of Murrieta, located just south of Murrieta Hot Springs Road, and two miles north of Highway 79/Winchester Road, one-half mile northeast of the Interstate 215 (“**I-215**”) and Interstate 15 (“**I-15**”) interchange.

See APPENDIX A – “GENERAL INFORMATION ABOUT THE CITY OF MURRIETA AND THE COUNTY OF RIVERSIDE” for demographic and other information regarding the City of Murrieta and the County. The boundary map showing the boundaries of the Community Facilities District is attached as APPENDIX H.

**Surrounding Community.** The community is served by Alta Murrieta Elementary School (located one mile north of the Community Facilities District), Warm Springs Middle School (located two miles east of the Community Facilities District) and the Vista Murrieta High School (located three miles north of the Community Facilities District).

Neighborhood shopping is available within a quarter mile at the southeast corner of Murrieta Hot Springs Road and Jackson Road, just east of I-215, with a shopping center anchored by Walgreens, Dick’s Sporting Goods, Sam’s Club and 24-Hour Fitness; and at a shopping center on the northern side of Murrieta Hot Springs Road at Murrieta Town Center, anchored by Ross Dress for Less, Marshalls, Burlington Coat Factory and Rite Aid.

**Summary of Ownership and Development Status.** The Taxable Property within the Community Facilities District has been developed by Woodside. The Taxable Property in the Community Facilities District is proposed for development of 83 detached condominiums arranged in a courtyard style. As of November 5, 2018, the date of value of the Appraisal Report, 72 condominiums were completed and owned by individual homeowners, while the remaining 11 condominiums were over 95% complete (7 in escrow), including 4 models (none of the 4 models in escrow).

As of December 6, 2018, Woodside had closed sales to an additional 7 condominiums. Of the remaining 4 condominiums, each of which was a model unit, as of January 4, 2019, one unit had closed sale to a purchaser, and Woodside anticipates the remaining 3 units will close during the first quarter of 2019. Condominiums under contract may not result in closed escrow as sales contracts are subject to cancellation.

**Net Taxable Acres.** The Community Facilities District currently contains approximately 6.34 net taxable of Taxable Property.

**Development within the Community Facilities District.** Woodside has developed a total of 83 detached condominiums arranged in a courtyard style. All of the property within the Community Facilities District is within Tract Map 36496 and within a development called “Ventana at Creekside Village.” Tract Map 36496 is divided into 83 condominiums.

The following table provides the proposed product mix, including estimated base sales prices and status of condominium closings as of the date of value of November 5, 2018, set forth in the Appraisal Report, for the 83 condominiums being constructed by Woodside in Tract No. 36496 and the Community Facilities District:

**Table 2**  
**Community Facilities District No. 2014-3**  
**of the Murrieta Valley Unified School District**  
**Ventana at Creekside Village Development Summary**  
**(As of November 5, 2018)**

<i>Plan</i>	<i>No. of Units</i>	<i>Closed to Individual Homeowners <sup>(1)</sup></i>	<i>Owned by Woodside <sup>(2)</sup></i>	<i>Projected Square Footage <sup>(3)</sup></i>	<i>Projected Base Sales Price <sup>(4)</sup></i>
1	20	17	3	1,911	\$361,179
2	15	14	1	2,151	378,576
3	34	28	6	2,121	373,296
4	<u>14</u>	<u>13</u>	<u>1</u>	2,377	392,205
<b>Total</b>	<b>83</b>	<b>72</b>	<b>11</b>		

(1) Ownership is based on the November 5, 2018 date of value of the Appraisal Report. As of December 6, 2018, Woodside had closed sales to an additional 7 condominiums. Of the remaining 4 condominiums, each of which was a model unit, as of January 4, 2019, one unit had closed sale to a purchaser, and Woodside anticipates the remaining 3 units will close during the first quarter of 2019.

(2) One of each of these plans is a model home.

(3) Plans 1, 2, 3 and 4 are two-story. Square footage shown excludes room options which may be offered.

(4) Base sales prices shown exclude the builder’s estimate of lot premiums, the sales of options and extras and any incentives or price reductions. Based on concluded retail base prices in Appraisal as of November 5, 2018. Base sales prices for the homes are subject to change at any time by Woodside.

Source: Woodside and Appraisal.

### Special Taxes and Projected Debt Service Coverage

The debt service on the Bonds is structured such that the projected Net Special Taxes from the Assigned Annual Special Tax on Developed Property, when applied to the projected debt service on the Bonds, is anticipated to result in a debt service coverage ratio of at least 110% for the life of the Bonds. The following table provides the number of permitted units, gross Special Tax revenues, Administrative Expenses and Net Special Tax Revenues for Fiscal Years 2018-19 and thereafter, and also includes the net debt service and debt service coverage.

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**Table 3**  
**Community Facilities District No. 2014-3 of the**  
**Murrieta Valley Unified School District**  
**Special Taxes and Projected Debt Service Coverage**

<b>Fiscal Year</b>	<b>Number of Units Permitted <sup>(1)</sup></b>	<b>Special Tax Revenue</b>	<b>Less: Administrative Expenses</b>	<b>Net Special Tax Revenue</b>	<b>Debt Service</b>	<b>Debt Service Coverage</b>
2018-19	77	\$149,989.12	(\$15,000.00)	\$134,989.12	\$119,749.84	112.73%
2019-20 <sup>(2)</sup>	83	161,615.84	(15,000.00)	146,615.84	128,481.26	114.11
2020-21	83	161,615.84	(15,000.00)	146,615.84	132,581.26	110.59
2021-22	83	161,615.84	(15,000.00)	146,615.84	131,081.26	111.85
2022-23	83	161,615.84	(15,000.00)	146,615.84	129,581.26	113.15
2023-24	83	161,615.84	(15,000.00)	146,615.84	132,581.26	110.59
2024-25	83	161,615.84	(15,000.00)	146,615.84	130,381.26	112.45
2025-26	83	161,615.84	(15,000.00)	146,615.84	133,181.26	110.09
2026-27	83	161,615.84	(15,000.00)	146,615.84	131,681.26	111.34
2027-28	83	161,615.84	(15,000.00)	146,615.84	130,031.26	112.75
2028-29	83	161,615.84	(15,000.00)	146,615.84	133,231.26	110.05
2029-30	83	161,615.84	(15,000.00)	146,615.84	131,281.26	111.68
2030-31	83	161,615.84	(15,000.00)	146,615.84	129,250.00	113.44
2031-32	83	161,615.84	(15,000.00)	146,615.84	132,137.50	110.96
2032-33	83	161,615.84	(15,000.00)	146,615.84	129,687.50	113.05
2033-34	83	161,615.84	(15,000.00)	146,615.84	132,237.50	110.87
2034-35	83	161,615.84	(15,000.00)	146,615.84	129,612.50	113.12
2035-36	83	161,615.84	(15,000.00)	146,615.84	131,800.00	111.24
2036-37	83	161,615.84	(15,000.00)	146,615.84	128,800.00	113.83
2037-38	83	161,615.84	(15,000.00)	146,615.84	130,800.00	112.09
2038-39	83	161,615.84	(15,000.00)	146,615.84	132,400.00	110.74
2039-40	83	161,615.84	(15,000.00)	146,615.84	128,800.00	113.83
2040-41	83	161,615.84	(15,000.00)	146,615.84	130,200.00	112.61
2041-42	83	161,615.84	(15,000.00)	146,615.84	131,400.00	111.58
2042-43	83	161,615.84	(15,000.00)	146,615.84	132,400.00	110.74
2043-44	83	161,615.84	(15,000.00)	146,615.84	133,200.00	110.07
2044-45	83	161,615.84	(15,000.00)	146,615.84	128,800.00	113.83
2045-46	83	161,615.84	(15,000.00)	146,615.84	129,400.00	113.30
2046-47	83	161,615.84	(15,000.00)	146,615.84	129,800.00	112.96
2047-48 <sup>(3)</sup>	83	161,615.84	(15,000.00)	146,615.84	130,000.00	112.78
<b>Total</b>	<b>NA</b>	<b>\$4,836,848.48</b>	<b>(\$450,000.00)</b>	<b>\$4,386,848.48</b>	<b>\$3,914,568.70</b>	<b>NA</b>

<sup>(1)</sup> Unit counts based on building permits issued by the City of Murrieta. As of May 15, 2018, all building permits have been issued.

<sup>(2)</sup> All units will be levied as Developed Property in Fiscal Year 2019-20.

<sup>(3)</sup> The Annual Special Tax shall be levied for a term of three (3) Fiscal Years after the final maturity of the last series of Bonds, provided that the Annual Special Tax shall not be levied later than Fiscal Year 2055-56.

Source: Cooperative Strategies, LLC; debt service provided by the Underwriter.

The Community Facilities District has covenanted not to conduct or consent to proceedings with respect to a reduction in the Maximum Special Taxes that may be levied on Developed Property below an amount, for any Fiscal Year, equal to the Administrative Expense Requirement plus 110% Annual Debt Service in such Fiscal Year. The ability of the Community Facilities District to increase the special tax levy on residential property is subject to limitations under the Act. See “BOND OWNERS’ RISKS.”

The Special Taxes for Fiscal Year 2018-19 are levied on the parcels classified as Developed Property under the Rate and Method as of May 1, 2018.

**Appraised Property Value**

**The Appraisal Report.** The purpose of the Appraisal Report was to estimate the value of the fee simple interest of the property in the Community Facilities District subject to the Special Tax lien as of a November 5, 2018, date of value.

The Appraisal Report was intended to comply with the reporting requirements set forth under the Uniform Standards of Professional Appraisal Practice for an Appraisal Report, and with the appraisal standard proposed by the California Debt and Investment Advisory Commission.

**Basis for Appraisal Report and Assumptions.** The property rights appraised were of a fee simple interest subject to easements of record and the lien of the Special Taxes.

The Appraisal Report was based on certain assumptions and limiting conditions set forth in APPENDIX C, including the assumptions that, of the net proceeds of the Bonds, all benefits to the properties, which are to be funded by the Bond proceeds are completed and in place. See “FINANCING PLAN” and APPENDIX C – “APPRAISAL REPORT.”

**Value Estimate.** The purpose of the Appraisal Report was to estimate the value of the fee simple interest in the property in the Community Facilities District, subject to the Special Tax lien, as of a November 5, 2018, date of value. Subject to the assumptions contained in the Appraisal Report, the Appraiser estimated that the property within the Community Facilities District, subject to the lien of the Special Taxes and overlapping liens, had an estimated value as follows:

<u>Ownership</u>	<u>No. of Units</u>	<u>Appraised Value</u>
Woodside Ownership	11	\$3,280,727
Individually Owners	<u>72</u>	<u>26,991,060</u>
Total	83	\$30,271,787

The estimate of value results in an overall appraised value-to-lien ratio of approximately 12.91 to 1 based on the estimated amount of direct and overlapping debt allocated to parcels within the Community Facilities District) including the Bonds, all overlapping debt secured by a tax or assessment on the property within the Community Facilities District, but excluding all overlapping general obligation debt).

**Valuation Methods.** The Appraiser estimated the value of the property in the Community Facilities District using the Sales Comparison Approach, along with a mass appraisal technique as defined within the Appraisal Report. In the Sales Comparison Approach, market value is estimated by comparing properties similar to the subject property that have recently been sold, are listed for sale or are under contract. Neither a cost or income approach was utilized as they were not considered necessary to arrive at credible results.

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

**Special Tax Levy**

*Fiscal Year 2018-19 Special Tax Levy.* Table 4A below shows the Assigned Annual Special Tax Rates and the Fiscal Year 2018-19 Special Tax Levy for the Community Facilities District, which will be levied on 77 units classified as Developed Property for Fiscal Year 2018-19 (which was determined based on the issuance of building permits as of May 1, 2018).

**Table 4A  
Community Facilities District No. 2014-3 of the  
Murrieta Valley Unified School District  
Assigned Annual Special Tax Rates and Estimated Revenues  
Fiscal Year 2018-19 Special Tax Levy**

<b>Special Tax Class</b>	<b>Building Square Feet</b>	<b>No. of Units <sup>(1)</sup></b>	<b>Fiscal Year 2018-19 Assigned Annual Special Tax Rate</b>	<b>Fiscal Year 2018-19 Annual Special Taxes</b>	<b>Percentage Levy of Total</b>
1	≤ 1,900	0	\$1,822.56 per Unit	\$0.00	0.00%
2	1,901 - 2,000	18	1,870.00 per Unit	33,660.00	22.44
3	2,001 - 2,100	0	1,924.22 per Unit	0.00	0.00
4	≥ 2,101	59	1,971.68 per Unit	116,329.12	77.56
<b>TOTAL <sup>(2)</sup></b>		<b>77</b>	<b>NA</b>	<b>\$149,989.12</b>	<b>100.00%</b>

<sup>(1)</sup> Reflects all taxable units classified as Developed Property for Fiscal Year 2018-19.

<sup>(2)</sup> Totals may not sum due to rounding.

Source: Cooperative Strategies, LLC.

**Projected Fiscal Year 2019-20 Special Tax Levy.** Table 4B below shows the projected Assigned Annual Special Tax Rates and the projected Fiscal Year 2019-20 Special Tax Levy for the Community Facilities District, which will be levied on all 83 units classified as Developed Property for Fiscal Year 2019-20. As of May 15, 2018, all building permits have been issued.

**Table 4B**  
**Community Facilities District No. 2014-3 of the**  
**Murrieta Valley Unified School District**  
**Assigned Annual Special Tax Rates and Estimated Revenues**  
**Projected Fiscal Year 2019-20 Special Tax Levy**

<b>Special Tax Class</b>	<b>Building Square Feet</b>	<b>No. of Units <sup>(1)</sup></b>	<b>Projected Fiscal Year 2019-20 Assigned Annual Special Tax Rate</b>	<b>Projected Fiscal Year 2019-20 Assigned Annual Special Taxes <sup>(2)</sup></b>	<b>Percentage Levy of Total</b>
1	≤ 1,900	0	\$1,822.56 per Unit	\$0.00	0.00%
2	1,901 - 2,000	20	1,870.00 per Unit	37,400.00	23.14
3	2,001 - 2,100	0	1,924.22 per Unit	0.00	0.00
4	≥ 2,101	63	1,971.68 per Unit	124,215.84	76.86
<b>TOTAL <sup>(3)</sup></b>		<b>83</b>	<b>NA</b>	<b>\$161,615.84</b>	<b>100.00%</b>

<sup>(1)</sup> Reflects all taxable units classified as Developed Property for Fiscal Year 2019-20. As of May 15, 2018, all building permits have been issued.

<sup>(2)</sup> Amounts shown reflect the projected Fiscal Year 2019-20 Special Taxes that are expected to be levied on all taxable properties within the Community Facilities District.

<sup>(3)</sup> Totals may not sum due to rounding.

Source: Cooperative Strategies, LLC.



Table 4C below shows the Projected Fiscal Year 2019-20 Special Tax Levy by Ownership for the Community Facilities District as of December 6, 2018. As indicated above, the Special Taxes in Fiscal Year 2019-20 were levied on 77 units classified as Developed Property for Fiscal Year 2018-19 (which was determined based on the issuance of building permits as of May 1, 2018). As of May 15, 2018, all building permits have been issued.

**Table 4C**  
**Community Facilities District No. 2014-3 of the**  
**Murrieta Valley Unified School District**  
**2019 Special Tax Bonds**  
**[Projected Fiscal Year 2019-20 Special Tax Levy by Ownership]**

Property Ownership <sup>(1)</sup>	No. of Units <sup>(1)</sup>	[Projected Fiscal Year 2019-20 Annual Special Taxes <sup>(2)</sup>	Percent of Total
Individual Homeowners			
Completed Houses	72	\$140,232.40	86.77%
Homes over 95% Complete	7	13,598.40	8.41
	79	\$153,830.80	95.18%
Woodside	4	\$7,785.04	4.82%
<hr/>			
<b>TOTAL <sup>(3)</sup></b>	<b>83</b>	<b>\$161,615.84</b>	<b>100.00%</b>

<sup>(1)</sup> Ownership information is as of December 6, 2018 and development classification is based on the November 5, 2018 date of value of the Appraisal Report As of December 6, 2018, Woodside had closed sales to the 7 condominiums which were over 95% complete as of November 5, 2018. Of the remaining 4 condominiums, each of which was a model unit, as of January 4, 2019, one unit had closed sale to a purchaser, and Woodside anticipates the remaining 3 units will close during the first quarter of 2019.

<sup>(2)</sup> Amounts shown reflect the projected Fiscal Year 2019-20 Special Taxes that would be levied on all properties within the Community Facilities District planned for residential construction, if developed at the building square footage sizes provided by the Developer at the time of issuance of the Bonds. These amounts are provided to illustrate the expected classification of the units remaining to be built and are not intended to represent the actual Special Tax levy.

<sup>(3)</sup> Totals may not sum due to rounding.

Source: Cooperative Strategies, LLC.

### **Appraised Value-to-Lien Ratios**

The following table shows the approximate estimated value-to-lien ratios by property ownership for the Developed Property in the Community Facilities District based on the estimated market values set forth in the Appraisal Report and the principal amount of the Bonds, which has been allocated based on the Special Tax levy on all 83 parcels planned for residential development based on the building square footage sizes for the 83 single-family detached units with building permits as of May 15, 2018.

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

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**Table 5A**  
**Community Facilities District No. 2014-3**  
**of the Murrieta Valley Unified School District**  
**Appraised Values and Value-to-Lien Ratios by Property Ownership**

Property Ownership and Development Classification <sup>(1)</sup>	Number of Units <sup>(1)</sup>	Appraised Values <sup>(2)</sup>	Bonds <sup>(3)</sup>	Value-to-Lien Ratio <sup>(4)</sup>	Projected Assigned Annual Special Tax Levy at Development Completion <sup>(5)</sup>	Percentage Share of Special Tax <sup>(5)</sup>
Individual Homeowners						
Completed Houses	72	\$26,991,060.00	\$2,034,732.35	13.27:1	\$140,232.40	86.77%
Homes over 95% Complete	7	1,996,403.56	197,308.93	10.12:1	13,598.40	8.41
	79	\$28,987,463.56	\$2,232,041.28	12.99:1	\$153,830.80	95.18%
Woodside						
Models Homes	4	\$1,284,323.44	\$112,958.72	11.37:1	\$7,785.04	4.82%
<b>TOTAL <sup>(6)</sup></b>	<b>83</b>	<b>\$30,271,787.00</b>	<b>\$2,345,000.00</b>	<b>12.91:1</b>	<b>\$161,615.84</b>	<b>100.00%</b>

<sup>(1)</sup> Ownership information is as of December 6, 2018 and development classification is based on the November 5, 2018 date of value of the Appraisal Report. As of December 6, 2018, Woodside had closed sales to the 7 condominiums which were over 95% complete as of November 5, 2018. Of the remaining 4 condominiums, each of which was a model unit, as of January 4, 2019, one unit had closed sale to a purchaser, and Woodside anticipates the remaining 3 units will close during the first quarter of 2019.

<sup>(2)</sup> Market value based on the Appraisal Report date of value of November 5, 2018.

<sup>(3)</sup> Bond amounts are allocated based on each parcel's proportionate share of the Special Taxes projected to be levied at development completion.

<sup>(4)</sup> Average value-to-lien ratios; actual value-to-lien ratio per Lot may vary.

<sup>(5)</sup> Amounts shown reflect the projected Fiscal Year 2019-20 Special Taxes that would be levied on all properties within the Community Facilities District planned for residential construction, if developed at the building square footage sizes provided by the Developer at the time of issuance of the Bonds. These amounts are provided to illustrate the expected classification of the units remaining to be built and are not intended to represent the actual Special Tax levy.

<sup>(6)</sup> Totals may not sum due to rounding.

Source: Cooperative Strategies, LLC.

**Table 5B**  
**Community Facilities District No. 2014-3**  
**of the Murrieta Valley Unified School District**  
**Appraised Values and Value-to-Lien Ratios by Categories**

<b>Value-to-Lien Category</b>	<b>Number of Units</b>	<b>Appraised Values <sup>(1)</sup></b>	<b>Bonds <sup>(2)</sup></b>	<b>Value-to-Lien Ratio <sup>(3)</sup></b>	<b>Projected Assigned Annual Special Tax Levy at Development Completion <sup>(4)</sup></b>	<b>Percentage Share of Special Tax <sup>(4)</sup></b>
15:1 and Above	0	\$0	\$0	NA	\$0	0.00%
10:1 to 15:1	83	30,271,787.00	2,345,000.00	12.91:1	161,615.84	100.00
8:1 to 10:1	0	0.00	0.00	NA	0.00	0.00
5:1 to 8:1	0	0.00	0.00	NA	0.00	0.00
5:1 and Below	0	0.00	0.00	NA	0.00	0.00
<b>TOTAL <sup>(5)</sup></b>	<b>83</b>	<b>\$30,271,787.00</b>	<b>\$2,345,000.00</b>	<b>12.91:1</b>	<b>\$161,615.84</b>	<b>100.00%</b>

<sup>(1)</sup> Market value based on the Appraisal Report date of value of November 5, 2018.

<sup>(2)</sup> Bond amounts are allocated based on each parcel's proportionate share of the Special Taxes projected to be levied at development completion.

<sup>(3)</sup> Average value-to-lien ratios; actual value-to-lien ratio per Lot may vary.

<sup>(4)</sup> Amounts shown reflect the projected Fiscal Year 2019-20 Special Taxes that would be levied on all properties within the Community Facilities District planned for residential construction, if developed at the building square footage sizes provided by the Developer at the time of issuance of the Bonds. These amounts are provided to illustrate the expected classification of the units remaining to be built and are not intended to represent the actual Special Tax levy.

<sup>(5)</sup> Totals may not sum due to rounding.

Source: Cooperative Strategies, LLC.

## **Direct and Overlapping Governmental Obligations**

Certain local agencies provide public services and assess property taxes, assessments, special taxes and other charges on the property in the Community Facilities District. Many of these local agencies have outstanding debt.

The direct and overlapping obligations affecting the property in the Community Facilities District as of October 11, 2018, are shown in the following table. The table is sourced from California Tax Data, LLC and is included for general information purposes only. The Community Facilities District believes the information is current as of its date, but makes no representation as to its completeness or accuracy. Other public agencies, such as the County, may issue additional indebtedness at any time, without the consent or approval of the School District or the Community Facilities District.

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

The Community Facilities District has not undertaken to commission annual appraisals of the market value of property in the Community Facilities District for purposes of its Annual Reports pursuant to the Continuing Disclosure Certificate to be executed by the Community Facilities District in connection with the Bonds (the “**Continuing Disclosure Certificate**”), and information regarding property values for purposes of a direct and overlapping debt analysis which may be contained in such reports will be based on assessed values as determined by the County Assessor. See “CONTINUING DISCLOSURE” for further information regarding the Continuing Disclosure Certificate and APPENDIX F for the form of the Continuing Disclosure Certificate.

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**Table 6**  
**Community Facilities District No. 2014-3**  
**of the Murrieta Valley Unified School District**  
**Direct and Overlapping Governmental Obligations**  
**(As of October 11, 2018)**

**I. Assessed Value**

**2018-2019 Secured Roll Assessed Value** **\$16,422,682**

**II. Secured Property Taxes**

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic 1% Levy	PROP13	921,064	\$2,665,645,245.29	0.00616%	39	\$164,226.82
City of Murrieta Landscape & Lighting District No. 23	LLD	507	170,169.48	6.70611	34	11,411.76
City of Murrieta Parks & Recreation	PARK	32,799	1,884,114.00	0.08718	39	1,642.50
County of Riverside CSA No. 152 (Stormwater)	CSA	31,844	505,252.28	0.06624	5	334.66
Metropolitan Water District of Southern California Debt Service	GOB	249,712	2,635,145.37	0.02180	39	574.58
Metropolitan Water District of Southern California Standby Charge (East)	STANDBY	248,194	2,813,525.78	0.00966	39	271.68
Mt. San Jacinto Community College District Debt Service	GOB	323,152	11,490,371.56	0.01886	39	2,167.61
Murrieta Community Services District	CSD	32,544	2,765,873.80	0.04883	34	1,350.48
Murrieta Fire Protection District	FIRE	31,606	1,500,866.40	0.08528	32	1,280.00
<b>Murrieta Valley Unified School District CFD No. 2014-3</b>	<b>CFD</b>	<b>39</b>	<b>149,989.12</b>	<b>100.00000</b>	<b>39</b>	<b>149,989.12</b>
Murrieta Valley Unified School District Debt Service	GOB	35,757	17,359,677.77	0.11301	39	19,618.38
Riverside County Flood Control NPDES (Santa Margarita)	FLOOD	88,644	567,088.14	0.01223	35	69.36
<b>2018-2019 TOTAL PROPERTY TAX LIABILITY</b>						<b>\$352,936.95</b>
<b>TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2018-2019 ASSESSED VALUATION</b>						<b>2.15%</b>

**III. Land Secured Bond Indebtedness**

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Murrieta Valley Unified School District CFD No. 2014-3	CFD	\$0	\$0	100.00000%	39	\$0
<b>TOTAL LAND SECURED BOND INDEBTEDNESS <sup>(1)</sup></b>						<b>\$0</b>
<b>TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS <sup>(1)</sup></b>						<b>\$0</b>

**IV. General Obligation Bond Indebtedness**

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Metropolitan Water District of Southern California GOB 1966	GOB	\$850,000,000	\$60,600,000	0.00889%	39	\$5,390
Mt. San Jacinto Community College District GOB 2014	GOB	190,000,000	172,650,000	0.01851	39	31,961
Murrieta Valley Unified School District GOB 1998	GOB	37,498,826	8,567,970	0.11110	39	9,519
Murrieta Valley Unified School District GOB 2002	GOB	40,399,284	19,944,284	0.11110	39	22,157
Murrieta Valley Unified School District GOB 2006	GOB	119,996,844	90,871,844	0.11110	39	100,955
Murrieta Valley Unified School District GOB 2014	GOB	45,156,818	38,346,818	0.11110	39	42,602
<b>TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS <sup>(1)</sup></b>						<b>\$212,585</b>
<b>TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS <sup>(1)</sup></b>						<b>\$212,585</b>

<sup>(1)</sup> Additional bonded indebtedness or available bond authorization may exist but are not shown because a tax was not levied for the referenced fiscal year.

Source: California Tax Data, LLC.

## Estimated Property Tax Rates and Tax Burden on Condominium Unit

The following table sets forth an example of a projected tax bill based on the Fiscal Year 2018-19 tax rates, assessments and other charges for a similar residential unit of 2,121 building square feet.

**Table 7**  
**Community Facilities District No. 2014-3**  
**of the Murrieta Valley Unified School District**  
**Sample Property Tax Bill Fiscal Year 2018-19**

<b>Estimated Base Sales Price</b>		
Sales Value <sup>(1)</sup>		\$388,990.00
<hr/>		
<b>Ad Valorem Property Taxes <sup>(2)</sup></b>	<b>Percent of Total AV</b>	<b>Amount</b>
General Purposes	1.00000%	\$3,889.90
<i>Ad Valorem Tax Overrides</i>		
Murrieta Valley Unified School District Debt Service	0.11946%	\$464.69
Mt. San Jacinto Community College District Debt Service	0.01320	51.35
Metropolitan Water District (West)	0.00350	13.61
<hr/>		
<b>Total Ad Valorem Property Taxes</b>	<b>1.13616%</b>	<b>\$4,419.55</b>
<hr/>		
<b>Assessments, Special Taxes and Parcel Charges <sup>(2)</sup></b>		
Murrieta Community Services District LLD Zone 23		\$335.64
City of Murrieta Park Annual Assessment		45.00
Murrieta Fire Protection District		40.00
City of Murrieta Community Services District		39.72
MWD Standby Fee		6.94
Riverside County Flood Control and Water Conservation District		1.40
<b>Murrieta Valley USD CFD No. 2014-3</b>		<b>1,971.68</b>
<hr/>		
<b>Total Assessments, Special Taxes and Parcel Charges</b>		<b>\$2,440.38</b>
<hr/>		
<b>Total Property Taxes</b>		<b>\$6,859.93</b>
<b>Total Effective Tax Rate</b>		<b>1.76%</b>

<sup>(1)</sup> Estimated Sales Value for a Single Family Detached Condominium Unit containing 2,121 building square feet, selected to represent the medium effective tax rate for a single family detached unit within the Community Facilities District. Estimated Sales Valuation provided by the Developer.

<sup>(2)</sup> County of Riverside Fiscal Year 2018-19 tax rates and assessments provided by the Developer.

Source: Cooperative Strategies, LLC.



The following is a description of certain direct assessments which are in excess of \$100.00 per unit, mentioned in Tables 6 and 7, using the most recent information available.

*City of Murrieta Landscape & Lighting District No. 23 (Street Lights).* This pay-as-you-go assessment is levied on all developed property within the Community Facilities District. The ongoing assessment is used for the streetlight maintenance and energy costs within the service area. The assessment is anticipated to be \$335.64 per parcel in Fiscal Year 2018-19. This assessment increases each fiscal year by the greater of i) two percent (2%) or ii) the annual change in the Consumer Price Index.

### **Special Tax Collection and Delinquency History**

The Special Taxes were first levied in the Community Facilities District in Fiscal Year 2018-19.

### **BOND OWNERS' RISKS**

*The purchase of the Bonds described in this Official Statement involves a degree of risk that may not be appropriate for some investors. The following includes a discussion of some of the risks which should be considered before making an investment decision. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds.*

### **Risks of Real Estate Secured Investments Generally**

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

### **Special Mandatory Redemption from Prepaid Special Taxes**

Prepayments of the Bonds from prepaid Special Taxes could be made by any of the owners of any of the property within the Community Facilities District including the Developer, or any individual owner; and they could also be made from the proceeds of bonds issued by or on behalf of an over-lapping special assessment district or community facilities district. The resulting special mandatory redemption of Bonds that were purchased at a price greater than the applicable redemption price could reduce the otherwise expected yield on such Bonds.

### **Limited Obligation of the Community Facilities District to Pay Debt Service**

Neither the School District nor the Community Facilities District has any obligation to pay principal of and interest on the Bonds if Special Tax collections are delinquent or insufficient, other than from amounts, if any, on deposit in the Reserve Fund or funds derived from the tax sale or foreclosure and sale of parcels for Special Tax delinquencies. Neither the School District nor the Community Facilities District is obligated to advance funds to pay debt service on the Bonds.

## Levy and Collection of the Special Tax

**General.** The principal source of payment of principal of and interest on the Bonds is the proceeds of the annual levy and collection of the Special Tax against property within the Community Facilities District.

**Limitation on Maximum Special Tax Rate.** The annual levy of the Special Tax is subject to the maximum annual Special Tax rate authorized in the Rate and Method. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the Bonds. Generally, the Community Facilities District first levies Special Taxes at the Assigned Annual Special Tax rate on Developed Property, and then, to the extent additional moneys are required there is levies Special Taxes in accordance with the Rate and Method on Approved Property and then if additional moneys are required levies Special Taxes on Approved Property. In the event that delinquencies occur in the receipt of Special Taxes in any fiscal year, the Community Facilities District may increase the Special Tax levy up to the maximum rates as permitted in the Rate and Method in the following fiscal years if determined necessary to cure any delinquencies on the Bonds. There may be little or no difference between the Assigned Annual Special Tax rate and the maximum rates where the property is all categorized as Developed Property.

If owners are delinquent in the payment of Special Taxes, the Community Facilities District may not increase Special Tax levies to make up for delinquencies for prior Fiscal Years above the Maximum Special Tax rates specified for each category of property within the Community Facilities District. See “SECURITY FOR THE BONDS – Rate and Method.” In addition, Section 53321(d) of the Act and resolutions adopted by the Community Facilities District provide that the special tax levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within a community facilities district by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. In cases of significant delinquency, these factors may result in defaults in the payment of principal of and interest on the Bonds.

**No Relationship Between Property Value and Special Tax Levy.** Because the Special Tax formula set forth in the Rate and Method is not based on property value, the levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular parcels of Taxable Property and the amount of the levy of the Special Tax against those parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of the parcels of Taxable Property and their proportionate share of debt service on the Bonds, and certainly not a direct relationship.

**Factors That Could Lead to Special Tax Deficiencies.** The following are some of the factors that might cause the levy of the Special Tax on any particular parcel of Taxable Property to vary from the Special Tax that might otherwise be expected:

**Transfers to Governmental Entities.** The number of parcels of Taxable Property could be reduced through the acquisition of an interest in Taxable Property by a governmental entity and failure of the government to pay the Special Tax based upon a claim of exemption or, in the case of the federal government or an agency thereof or sponsored thereby, immunity from taxation, thereby resulting in an increased tax burden on the remaining taxed parcels. Such entities and agencies include the FDIC, the Federal National Mortgage Association (“**Fannie Mae**”), the Federal Home Loan Mortgage Corporation (“**Freddie Mac**”), the Drug Enforcement Agency, the Internal Revenue Service or other similar federal governmental agencies. The FDIC could obtain such an interest by taking over a financial institution which has made a loan which is secured by property within the Community Facilities District, and Fannie Mae or Freddie Mac could obtain such an interest by acquiring a mortgage secured by property within the Community Facilities District. See “– Exempt Properties – Property Owned by FDIC” below.

*Property Tax Delinquencies.* Failure of the owners of Taxable Property to pay the Special Tax, or delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, could result in a deficiency in the collection of Special Taxes. Fiscal Year 2018-19 is the first fiscal year in which Special Taxes have been levied in the Community Facilities District. Sustained or increased delinquencies in the payment of the Special Taxes could cause a draw on the Reserve Fund established for the Bonds and perhaps, ultimately, a default in the payment on the Bonds.

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

*Delays Following Special Tax Delinquencies and Foreclosure Sales.* The Fiscal Agent Agreement generally provides that the Special Tax is to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described in "SECURITY FOR THE BONDS – Covenant to Foreclose" and in the Act, is subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ordinary *ad valorem* property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County.

If sales or foreclosures of property are necessary, there could be a delay in payments to owners of the Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the Community Facilities District of the proceeds of sale if the Reserve Fund is depleted. See "SECURITY FOR THE BONDS – Covenant to Foreclose."

### **Risks Related to Declines in Home Values**

Declines in home values in the Community Facilities District could result in property owner unwillingness or inability to pay mortgage payments, as well as *ad valorem* property taxes and Special Taxes, when due. Under such circumstances, bankruptcies could occur. Bankruptcy by homeowners with delinquent Special Taxes would delay the commencement and completion of foreclosure proceedings to collect delinquent Special Taxes.

### **Limited Number of Taxable Parcels**

Numerous or continuing delinquencies by the owners of Taxable Property in the Community Facilities District in the payment of property taxes (and, consequently, the Special Taxes, which are collected on the ordinary property tax bills) when due could result in a deficiency in Special Tax revenues necessary to pay debt service on the Bonds, which could in turn result in the depletion of the Reserve Fund, prior to reimbursement from the resale of foreclosed property or payment of the delinquent Special Tax. In that event, there could be a delay or failure in payments of the principal of and interest on the Bonds. See "SECURITY FOR THE BONDS – Reserve Fund."

As of December 6, 2018, Woodside owned residential parcels within the Community Facilities District proposed for 4 condominiums and Woodside will be responsible for the Special Taxes levied against such parcels until those condominiums are completed and sold to individual homeowners. Based on the ownership information and development status as of December 6, 2018, within the Community Facilities District, the Special Tax Consultant estimates that Woodside will be responsible for approximately 4.82% of the Fiscal Year 2018-19 Special Taxes for 4 of the 83 units' taxes in such fiscal year. The failure by Woodside to pay installments of the Special Tax when due could result in an insufficiency of Special Tax proceeds to meet debt service obligations of the Bonds

and the depletion of the Reserve Fund prior to receipt of proceeds from the sale of foreclosed property or payment of the delinquent Special Tax. In that event, there could be a delay or failure in payments of the principal of and interest on the Bonds.

### **Payment of Special Tax is not a Personal Obligation of the Property Owners**

An owner of Taxable Property is not personally obligated to pay the Special Taxes. Rather, the Special Taxes are an obligation running only against the parcels of Taxable Property. If, after a default in the payment of the Special Tax and a foreclosure sale by the Community Facilities District, the resulting proceeds are insufficient, taking into account other obligations also constituting a lien against the affected parcels of Taxable Property, the Community Facilities District has no recourse against the owner.

### **Appraised Values**

The Appraisal Report set forth in APPENDIX C estimates the market value of the Taxable Property within the Community Facilities District. This market value is merely the opinion of the Appraiser as of the date of value set forth in the Appraisal Report, and is subject to the assumptions and limiting conditions stated in the Appraisal Report. The Community Facilities District has not sought an updated opinion of value by the Appraiser subsequent to the date of value of the Appraisal Report, or an opinion of the value of the Taxable Property by any other appraiser. A different opinion of value might be rendered by a different appraiser.

The opinion of value assumes a sale by a willing seller to a willing buyer, each having similar information and neither being forced by other circumstances to sell or to buy. Consequently, the opinion is of limited use in predicting the selling price at a foreclosure sale, because the sale is forced and the buyer may not have the benefit of full information.

In addition, the opinion is based upon the facts and circumstances at the date of value of the Appraisal Report. Differing facts and circumstances may lead to differing opinions of value. The appraised value is not evidence of future value because future facts and circumstances may differ significantly from such date of value.

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

### **Property Values**

The value of Taxable Property within the Community Facilities District is a critical factor in determining the investment quality of the Bonds. If a property owner defaults in the payment of the Special Tax, the Community Facilities District's only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. Land values could be adversely affected by economic and other factors beyond the Community Facilities District's control, such as a general economic downturn, relocation of employers out of the area, shortages of water, electricity, natural gas or other utilities, destruction of property caused by earthquake, flood, drought, landslides, wildfires, or other natural disasters, environmental pollution or contamination, or unfavorable economic conditions.

The following is a discussion of specific risk factors that could affect the value of property in the Community Facilities District.

***Risks Related to Availability of Mortgage Loans.*** In past years events in the United States and world-wide capital markets have adversely affected the availability of mortgage loans to homeowners, including potential buyers of homes within the Community Facilities District. Any such unavailability could hinder the ability of the current homeowners to resell their homes, or the sale of newly completed homes in the future.

***Natural Disasters.*** The value of the Taxable Property in the future can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements and private improvements on the Taxable Property and the continued habitability and enjoyment of such private improvements. The areas in and surrounding the Community Facilities District, like those in much of California, may be subject to unpredictable seismic activity, including earthquakes and landslides.

Other natural disasters could include, without limitation, floods, droughts, wildfires or tornadoes. One or more natural disasters could occur and could result in damage to improvements of varying seriousness. The damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost, or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances there could be significant delinquencies in the payment of Special Taxes, and the value of the Taxable Property may well depreciate or disappear.

***Drought Conditions.*** With respect to droughts specifically, the State in recent years experienced a 5-year drought throughout much of the State, though from October 1, 2016 through the spring of 2017, most of the State experienced above average rainfall. On April 7, 2017, Governor Brown issued an executive order which lifted the drought emergency in all California counties, except Fresno, Kings, Tulare and Tuolumne, where emergency drinking water projects will continue to help address diminished groundwater supplies. In a related action, State agencies on April 7, 2017, issued a plan to continue to make conservation a way of life in the State, as directed by Governor Brown in May 2016. The framework requires new legislation to establish long-term water conservation measures and improved planning for more frequent and severe droughts. As of November 1, 2018, urban areas of Southern California and areas in central California continue to experience largely dry conditions. The State's five-year drought underscored the need for permanent improvements in long-term efficient water use and drought preparedness, as called for in a previous executive order made by Governor Brown. These actions are intended to help to ensure all communities have sufficient water supplies and are conserving water regardless of the conditions of any one year. The Community Facilities District cannot predict if and when the State will experience drought conditions again in the future, what effect such conditions may have on property values or whether or to what extent any water reduction requirements may affect homeowners within the Community Facilities District or their ability or willingness to pay Special Taxes.

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

***Legal Requirements.*** Other events that may affect the value of Taxable Property include changes in the law or application of the law. Such changes may include, without limitation, local growth control initiatives, local utility connection moratoriums and local application of statewide tax and governmental spending limitation measures.

***Hazardous Substances.*** One of the most serious risks in terms of the potential reduction in the value of Taxable Property is a claim with regard to a hazardous substance. In general, the owners and operators of Taxable Property 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 Taxable Property 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.

The appraised values set forth in this Official Statement do not take into account the possible reduction in marketability and value of any of the Taxable Property by reason of the possible liability of the owner or operator for the remedy of a hazardous substance condition of the parcel. Although the Community Facilities District and Woodside are not aware that the owner or operator of any of the Taxable Property has such a current liability with respect to any of the Taxable Property, it is possible that such liabilities do currently exist and that the Community Facilities District and Woodside are not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the Taxable Property resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but that 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 that 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 Taxable Property that is realizable upon a delinquency.

### **Other Possible Claims Upon the Value of Taxable Property**

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

The table in the section entitled “THE COMMUNITY FACILITIES DISTRICT – Direct and Overlapping Governmental Obligations” shows the presently outstanding amount of governmental obligations (with stated exclusions), the tax or assessment for which is or may become an obligation of one or more of the parcels of Taxable Property. The table also states the additional amount of general obligation bonds the tax for which, if and when issued, may become an obligation of one or more of the parcels of Taxable Property. The table does not specifically identify which of the governmental obligations are secured by liens on one or more of the parcels of Taxable Property.

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

In general, as long as the Special Tax is collected on the County tax roll, the Special Tax and all other taxes, assessments and charges also collected on the tax roll are on a parity, that is, are of equal priority. Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. In the event of proceedings to foreclose for delinquency of Special Taxes securing the Bonds, the Special Tax will be subordinate only to existing prior governmental liens, if any. Otherwise, in the event of such foreclosure proceedings, the Special Taxes will generally be on a parity with the other taxes, assessments and charges, and will share the proceeds of such foreclosure proceedings on a pro-rata

basis. Although the Special Taxes will generally have priority over non-governmental liens on a parcel of Taxable Property, regardless of whether the non-governmental liens were in existence at the time of the levy of the Special Tax or not, this result may not apply in the case of bankruptcy. See “ – Bankruptcy Delays” below.

### **Value-to-Debt Ratios**

Value-to-debt ratios have traditionally been used in land-secured bond issues as a measure of the “collateral” supporting the willingness of property owners to pay their special taxes and assessments (and, in effect, their general property taxes as well). The value-to-debt ratio is mathematically a fraction, the numerator of which is the value of the property (usually either the assessed value or a market value as determined by an appraiser) and the denominator of which is the “lien” of the assessments or special taxes. A value-to-debt ratio should not, however, be viewed as a guarantee of credit-worthiness. Land values are especially sensitive to economic cycles. A downturn of the economy may depress land values and hence the value-to-debt ratios. Further, the value-to-debt ratio cited for a bond issue is an average. Individual parcels in a community facilities district may fall above or below the average, sometimes even below a 1:1 ratio. (With a 1:1 ratio, the land is worth less than the debt on it.) Although judicial foreclosure proceedings can be initiated rapidly, the process can take several years to complete, and the bankruptcy courts may impede the foreclosure action. Finally, local agencies may form overlapping community facilities districts or assessment districts. They typically do not coordinate their bond issuances. Debt issuance by another entity can dilute value-to-debt ratios. See “THE COMMUNITY FACILITIES DISTRICT – Direct and Overlapping Governmental Obligations.”

### **Exempt Properties**

***Exemptions Under Rate and Method and the Act.*** Certain properties are exempt from the Special Tax in accordance with the Rate and Method and the Act, which provides that properties or entities of the state, federal or local government are exempt from the Special Tax; provided, however, that property within the Community Facilities District acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax. See “SECURITY FOR THE BONDS – Rate and Method.”

In addition, although the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment, the constitutionality and operation of these provisions of the Act have not been tested, meaning that such property could become exempt from the Special Tax. The Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax.

***Property Owned by FDIC.*** The ability of the Community Facilities District to collect interest and penalties specified by State law and to foreclose the lien of a delinquent Special Tax installment may be limited in certain respects with regard to property in which the FDIC has or obtains an interest. The FDIC has asserted a sovereign immunity defense to the payment of special taxes and assessments. The Community Facilities District is unable to predict what effect this assertion would have in the event of a delinquency on a parcel within the Community Facilities District in which the FDIC has or obtains an interest.

In addition, although the FDIC does not claim immunity from *ad valorem* property taxation, it requires a foreclosing entity to obtain FDIC’s consent to foreclosure proceedings. Prohibiting a foreclosure on property owned by the FDIC could reduce the amount available to pay the principal of and interest on the Bonds. Either outcome would cause a draw on the Reserve Fund established for the Bonds and perhaps, ultimately, a default in the payment on the Bonds.



***Property Owned by Fannie Mae or Freddie Mac.*** If a parcel of taxable property is owned by a federal government entity or federal government-sponsored entity, such as Fannie Mae or Freddie Mac, or a private deed of trust secured by a parcel of taxable property is owned by a federal government entity or federal government-sponsored entity, such as Fannie Mae or Freddie Mac, the ability to foreclose on the parcel or to collect delinquent Special Taxes may be limited.

Federal courts have held that, based on the supremacy clause of the United States Constitution, in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest. This means that, unless Congress has otherwise provided, if a federal government entity owns a parcel of taxable property but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the Community Facilities District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest.

*No investigation has been made as to whether any governmental entity or government-sponsored entity currently owns or has an interest in any property in the Community Facilities District.*

### **Depletion of Reserve Fund**

The Reserve Fund is to be maintained at an amount equal to the Reserve Requirement. See "SECURITY FOR THE BONDS – Reserve Fund." The Reserve Fund will be used to pay principal of and interest on the Bonds if insufficient funds are available from the proceeds of the levy and collection of the Special Tax against property within the Community Facilities District. If the Reserve Fund is depleted, it can be replenished from the proceeds of the levy and collection of the Special Taxes that exceed the amounts to be paid to the Bond owners under the Fiscal Agent Agreement. However, because the Special Tax levy is limited to the maximum annual Special Tax rates, it is possible that no replenishment would be possible if the Special Tax proceeds, together with other available funds, remain insufficient to pay all such amounts. Thus it is possible that the Reserve Fund will be depleted and not be replenished by the levy and collection of the Special Taxes.

### **Bankruptcy Delays**

The payment of the Special Tax and the ability of the Community Facilities District to foreclose the lien of a delinquent unpaid Special Tax, as discussed in "SECURITY FOR THE BONDS," may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner or any other person claiming an interest in the property could result in a delay in superior court foreclosure proceedings and could result in the possibility of Special Tax installments not being paid in part or in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds.

In addition, the amount of any lien on property securing the payment of delinquent Special Taxes could be reduced if the value of the property were determined by the bankruptcy court to have become less than the amount of the lien, and the amount of the delinquent Special Taxes in excess of the reduced lien could then be treated as an unsecured claim by the court. Any such stay of the enforcement of the lien for the Special Tax, or any such delay or non-payment, would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds and the possibility of delinquent Special Taxes not being paid in full.

### **Disclosure to Future Purchasers**

The Community Facilities District has recorded a notice of the Special Tax lien in the official records of the County Recorder. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such special tax obligation in the purchase of a parcel of land or a home in the Community Facilities District or the lending of money secured by property in the Community Facilities District. The Act and the Goals and Policies require the subdivider of a subdivision (or its agent or representative) to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a special tax under the Act of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with these 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.

### **Limitations on Remedies**

Remedies available to the Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the tax-exempt status of the Bonds. See “ – Levy and Collection of the Special Tax” above and “ – No Acceleration Provisions” below.

### **No Acceleration Provisions**

The Bonds do not contain a provision allowing for their acceleration in the event of a payment default or other default under the terms of the Bonds or the Fiscal Agent Agreement. As discussed in this Official Statement, under the caption “LEGAL MATTERS,” interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date such Bonds were issued as a result of future acts or omissions of the Community Facilities District in violation of its covenants in the Fiscal Agent Agreement. Should such an event of taxability occur, the Bonds are not subject to special redemption or acceleration and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Fiscal Agent Agreement. Under the Fiscal Agent Agreement, a Bond owner is given the right for the equal benefit and protection of all Bond owners similarly situated to pursue certain remedies. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT.” So long as the Bonds are in book-entry form, DTC will be the sole Bond owner and will be entitled to exercise all rights and remedies of Bond owners.

### **Tax Cuts and Jobs Act**

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

income tax purposes. The changes made by the Tax Cuts and Jobs Act could increase the cost of home ownership within the Community Facilities District.

None of the School District or the Community Facilities District can predict the effect that the Tax Cuts and Jobs Act may have on the cost of home ownership or the price of homes in the Community Facilities District or the ability or willingness of home owners to pay Special Taxes or property taxes.

### **Loss of Tax Exemption**

As discussed under the caption “LEGAL MATTERS – Tax Exemption,” interest on the Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the Community Facilities District in violation of its covenants in the Fiscal Agent Agreement. The Fiscal Agent Agreement does not contain a special redemption feature triggered by the occurrence of an event of taxability. As a result, if interest on the Bonds were to become includable in gross income for purposes of federal income taxation, the Bonds would continue to remain outstanding until maturity unless earlier redeemed pursuant to optional or mandatory redemption or redemption upon prepayment of the Special Taxes. See “THE BONDS – Redemption.”

Should such an event of taxability occur, the Bonds are not subject to early redemption, and the Bonds will remain outstanding to maturity or until redeemed under the optional redemption provisions of the Fiscal Agent Agreement and the Bonds will remain outstanding to maturity.

### **IRS Audit of Tax-Exempt Bond Issues**

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

### **Legislative Proposals, Clarifications of the Internal Revenue Code and Court Decisions on Tax Exemption**

Recent legislation, future legislative proposals, if enacted into law, clarification of the Internal Revenue 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 Bond owners from realizing the full current benefit of the tax status of such interest.

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

### **Backup Withholding**

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

## **Voter Initiatives and State Constitutional Provisions**

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Since 1978, the voters have exercised this power through the adoption of Proposition 13 and similar measures, including Proposition 218, which was approved in the general election held on November 5, 1996, and Proposition 26, which was approved on November 2, 2010.

**Proposition 218.** Proposition 218 – Voter Approval for Local Government Taxes -- Limitation on Fees, Assessments, and Charges – Initiative Constitutional Amendment, added Articles XIIC and XIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Among other things, Section 3 of Article XIIC states that “. . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless the legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt.

**Proposition 26.** On November 2, 2010, California voters approved Proposition 26, entitled the “Supermajority Vote to Pass New Taxes and Fees Act.” Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIIC and XIIC of the State Constitution. The amendments to Article XIIC limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature.

Article XIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes require a majority vote and taxes for specific purposes (“special taxes”) require a two-thirds vote. The Special Taxes and the Bonds were each authorized by not less than a two-thirds vote of the landowners within the Community Facilities District who constituted the qualified electors at the time of such voted authorization, and the statute of limitations period for any challenges to the formation of the Community Facilities District and the levy of the Special Taxes has expired. The Community Facilities District believes, therefore, that issuance of the Bonds does not require the conduct of further proceedings under the Act, Proposition 218 or Proposition 26.

Like their antecedents, Proposition 218 and Proposition 26 have undergone, are likely to undergo, both judicial and legislative scrutiny.

For example, in August 2014, in *City of San Diego. v. Melvin Shapiro*, an Appellate Court invalidated an election held by the City of San Diego to authorize the levying of special taxes on hotels City-wide pursuant to a City charter ordinance creating a convention center facilities district which specifically defined the electorate to consist solely of (1) the owners of real property in the City on which a hotel is located, and (2) the lessees of real property owned by a governmental entity on which a hotel is located. The court held that such landowners and lessees are neither “qualified electors” of the City for purposes of Article XIIC, Section 4 of the California Constitution, nor a proper “electorate” under Article XIIC, Section 2(d) of the California Constitution. The court specifically noted that the decision did not require the Court to consider the distinct question of whether landowner voting to impose special taxes under Section 53326(b) of the Act (which was the nature of the voter approval through which the Community Facilities District was formed) violates the California Constitution in districts that lack sufficient registered voters to conduct an election among registered voters. Accordingly, this case should have no effect on the levy of the Special Taxes by the Community Facilities District.

The School District and the Community Facilities District cannot predict the ultimate outcome or effect of any such judicial scrutiny, legislative actions, or future initiatives. These initiatives, and any future initiatives, may affect the collection of fees, taxes and other types of revenue by local agencies such as the Community Facilities District. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the Bonds.

### **Limited Secondary Market for Bonds**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Although the Community Facilities District has committed to provide certain statutorily-required financial and operating information, there can be no assurance that such information will be available to Bond Owners on a timely basis. The failure to provide the required annual financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

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

## **LEGAL MATTERS**

### **Legal Opinion**

The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, approving the validity of the Bonds will be made available to purchasers at the time of original delivery and is attached in substantially final form as APPENDIX G. A copy of the legal opinion will be attached to each Bond. Bond Counsel undertakes no responsibility for the accuracy, completeness, or fairness of this Official Statement.

James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, will pass upon certain legal matters for the Community Facilities District as disclosure counsel. Certain matters will be passed upon for the Community Facilities District by Dannis Woliver Kelley, Attorneys at Law, as the School District's General Counsel. Kutak Rock LLP, Irvine, California, is serving as counsel to the Underwriter.

### **Tax Exemption**

***Federal Tax Status.*** In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the Community Facilities District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be,

excludable from gross income for federal income tax purposes. The Community Facilities District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

***Tax Treatment of Original Issue Discount and Premium.*** If the initial offering price to the public 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 personal income taxes. If the initial offering price to the public at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes “original issue premium” for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium are disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond’s maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

***California Tax Status.*** In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

***Other Tax Considerations.*** Current and future legislative proposals, if enacted into law, clarification of the Tax 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 any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the Bonds, or as to the consequences of owning or receiving interest on the Bonds, as of any future date. 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.

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

### **No Litigation**

At the time of delivery of the Bonds, the School District, acting as the legislative body of the Community Facilities District, will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending with respect to which the Community Facilities District has been served with process or, to the best knowledge of the authorized officers of the School District or the Community Facilities District, threatened:

- which in any way questions the corporate existence of the School District or the titles of the officers of the School District to their respective offices, or
- which in any way questions the formation or existence of the Community Facilities District or the titles of the Board of the School District as the Legislative Body of the Community Facilities District, or
- which affects, contests or seeks to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or
- which in any way contests or affects the validity of the Fiscal Agent Agreement, the Continuing Disclosure Certificate or the purchase contract with respect to the Bonds or the consummation of the transactions on the part of the School District and the Community Facilities District contemplated thereby, or
- which contests the exclusion of the interest on the Bonds from federal or State income taxation or contests the powers of the School District or the Community Facilities District, or their respective authority, to levy and collect the Special Taxes in the Community Facilities District.

## **CONTINUING DISCLOSURE**

### **The Community Facilities District**

Pursuant to the Continuing Disclosure Certificate, the Community Facilities District will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Bonds by not later than six months after the end of the Community Facilities District's fiscal year (or December 31 of each year based on the Community Facilities District's current fiscal year) (the "**Annual Report**"), commencing with the Annual Report for the fiscal year ending June 30, 2019 (which Annual Report is due no later than December 31, 2019), and to provide notices of the occurrence of certain listed events (the "**Notice of Events**") as required by Securities Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**"). These covenants have been made in order to assist the Underwriter in complying with the Rule. The form of the Continuing Disclosure Certificate describing the specific nature of the information to be contained in the Annual Report and the Notice Events by the Community

Facilities District is set forth in APPENDIX F. These filings are required to be posted on the electronic filing system (“EMMA”) maintained by the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

*No Prior Community Facilities District Undertakings.* Prior to entering into the Continuing Disclosure Certificate, the Community Facilities District has not entered into any continuing disclosure undertaking under the Rule.

*Prior Disclosure by School District, the Authority and Other Community Facilities Districts formed by the School District.* A review of previous disclosure filings since November 15, 2013, with respect to financings by the School District, the Murrieta Valley Unified School District Public Financing Authority (the “**Authority**”) and the other community facilities districts formed by the School District indicates that the School District, the Authority or such other community facilities districts did not comply in all respects with prior undertakings during that time period. Identification of the below described events does not constitute a representation by the Community Facilities District, the School District, the Authority or the other community facilities districts formed by the School District that any such events were material.

The review indicates that since November 15, 2013, (a) the School District did not timely file certain Notice of Events as required by certain of its continuing disclosure obligations and (b) the School District did not correctly link a CUSIP with the annual report and certain annual financial information for fiscal years 2014-15 and 2015-16. The Community Facilities District also notes that two continuing disclosure undertakings by the Authority referenced in error that the Authority would file audited financial statements. However, the Authority did not prepare, nor is it required to prepare under the laws of the State, audited financial statements and therefore did not file audited financial statements in connection with such continuing disclosure undertakings.

The School District has made remedial filings to correct all known instances of non-compliance during the last five years. The School District believes it has established processes to ensure that the School District, the Authority, the Community Facilities District and all other community facilities districts will make required filings on a timely basis in the future, which include appointing an outside dissemination agent to assist in preparing the continuing disclosure filings and notices of the occurrence of certain listed events of the Community Facilities District, the School District, the Authority and the other community facilities districts, as applicable.

## **NO RATINGS**

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



## UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated, at a purchase price of \$2,262,561.70 (which represents the principal amount thereof (\$2,345,000.00), less a net original issue discount of \$28,503.30 and less the Underwriter's discount of \$53,935.00).

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

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

## FINANCIAL INTERESTS

Fees payable to certain professionals, including the Underwriter, Kutak Rock LLP, as Underwriter's Counsel, James F. Anderson Law Firm, A Professional Corporation, as Disclosure Counsel, Jones Hall, A Professional Law Corporation, as Bond Counsel, Dannis Woliver Kelly, Attorneys at Law, as District Counsel, Piper Jaffray & Co., as Municipal Advisor, and Zions Bancorporation, National Association, as the Fiscal Agent, are contingent upon the issuance of the Bonds. A portion of the fees of Cooperative Strategies, LLC, as Program Manager and Special Tax Consultant, are contingent upon the issuance of the Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Bonds. Disclosure Counsel has in the past worked as, and is currently working as, counsel to the Underwriter on matters unrelated to the Bonds.

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**EXECUTION**

The execution and delivery of the Official Statement by the Community Facilities District has been duly authorized by the Board of Education of the Murrieta Valley Unified School District, acting as the legislative body of the Community Facilities District.

COMMUNITY FACILITIES DISTRICT NO. 2014-3  
OF THE MURRIETA VALLEY UNIFIED SCHOOL  
DISTRICT

By: /s/ William C. Olien

William C. Olien,  
Assistant Superintendent,  
Facilities/Operational Services  
Murrieta Valley Unified School District, on behalf of  
Community Facilities District No. 2014-3 of the  
Murrieta Valley Unified School District

## APPENDIX A

### GENERAL INFORMATION ABOUT THE CITY OF MURRIETA AND THE COUNTY OF RIVERSIDE

*The following information is included only for the purpose of supplying general information regarding the City of Murrieta and the County of Riverside (“**Riverside County**”). This information is provided only for general informational purposes, and provides prospective investors limited information about the City of Murrieta, Riverside County and their economic base. The Bonds are not a debt of the City of Murrieta, the Riverside County, the State of California (the “**State**”) or any of its political subdivisions, and none of the City of Murrieta, Riverside County, the State or any of its political subdivisions is liable therefor. Riverside County, including its Board of Supervisors, officers, officials, agents and other employees, are required, only to the extent required by law, to: (i) levy and collect ad valorem taxes for payment of the Bonds in accordance with the law; and (ii) transmit the proceeds of such taxes to the paying agent for the payment of the principal of and interest on Bonds at the time such payment is due.*

#### **General**

The Murrieta Valley Unified School District (the “**School District**”) is located in the southwestern portion of Riverside County. The School District includes most of the City of Murrieta (the “**City**”) and certain unincorporated areas of Riverside County. The School District currently operates three high schools, four middle schools and 11 elementary schools, along with two alternative schools. The Fiscal Year 2018-19 adopted budget estimates enrollment of approximately 23,120 students. The administration headquarters of the School District are located at 41870 McAlby Court, Murrieta, California. For further information on the School District, see its Internet home page at [www.murrieta.k12.ca.us](http://www.murrieta.k12.ca.us). *This internet address is included for reference only and the information on the Internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement.*

#### **City of Murrieta**

Incorporated on July 1, 1991, the City now functions under a Council/Manager form of Government. A five-member City Council, including the Mayor, is elected at large. The City Manager is appointed by the City Council. The City encompasses 33 square miles.

The City experienced a 156.8% population increase between 2000 and 2018, according to the most recent U.S. Census, making the City one of the fastest growing cities in the state. Largely residential in character, the City is typically characterized as a commuter town, with many of its residents commuting to jobs in San Diego County, Orange County, Los Angeles County, Temecula and Camp Pendleton due to the fact that it is nearly equidistant to these economic centers.

#### **History and Location of Riverside County**

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

Riverside County’s varying topology includes desert, valley and mountain areas as well as gently rolling terrain. Three distinct geographical areas characterize Riverside County: the western valley area,

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

### **Riverside County Population**

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

*[Remainder of Page Intentionally Left Blank]*

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

**COUNTY OF RIVERSIDE**  
**Population Estimates**

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

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

## Riverside County Employment

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

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

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

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

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

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

## Largest Employers

The following table lists the largest employers within the City of Murrieta as of June 2017:

### CITY OF MURRIETA Major Employers as of June 2017

<u>Employer Name</u>	<u>Industry</u>	<u>Employees</u>	<u>% of City Employment</u>
Murrieta Valley Unified School District	Education	2,265	4.58%
Southwest Healthcare System	Health Care	1,474	2.98
Loma Linda Univ. Medical Center	Health Care	929	1.88
County of Riverside	Government	375	0.76
Oak Grove Institute	Residential Treatment	350	0.71
Target Corporation	Retail	330	0.67
City of Murrieta	Government	315	0.64
Walmart	Retail	309	0.62
Sam's Club	Retail	219	0.44
Home Depot	Retail	200	0.40

*Source: City of Murrieta Comprehensive Annual Financial Report (CAFR), June 30, 2017.*

The following table lists the largest employers within Riverside County as of June 2017:

### COUNTY OF RIVERSIDE Largest Employers as of June 2017

<u>Rank</u>	<u>Name of Business</u>	<u>Type of Business</u>	<u>Employees</u>	<u>% of County Employment</u>
1.	County of Riverside	County Government	22,538	2.27%
2.	University of California, Riverside	University	8,686	0.87
3.	March Air Reserve Base	Military Reserve Base	8,500	0.86
4.	Amazon	Distribution Center	7,500	0.75
5.	Kaiser Permanente Riverside Med. Center	Medical Center	5,739	0.58
6.	Corona-Norco Unified School District	School District	5,399	0.54
7.	Riverside Unified School District	School District	4,236	0.43
8.	Pechanga Resort Casino	Casino	4,000	0.40
9.	Riverside University Health Systems Med. Center	Medical Center	3,876	0.39
10.	Eisenhower Medical Center	Medical Center	3,665	0.37

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

## Construction Trends

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

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Permit Valuation					
New Single-family	\$7,410.0	\$5,125.4	\$65,285.9	\$58,375.1	\$76,887.0
New Multi-family	0.0	28,746.2	26,890.1	15,192.4	16,609.7
Res. Alterations/Additions	<u>916.1</u>	<u>5,012.1</u>	<u>1,463.7</u>	<u>945.7</u>	<u>1,249.4</u>
Total Residential	\$8,326.1	\$38,883.6	\$93,639.7	\$74,513.2	\$94,746.1
New Commercial	\$792.1	\$6,260.5	\$2,643.6	\$20,679.7	\$25,720.4
New Industrial	32.6	0.0	98.3	0.0	3,500.0
New Other	0.0	5,351.6	366.7	9,448.3	8,168.1
Com. Alterations/Additions	<u>224.9</u>	<u>3,699.3</u>	<u>2,277.0</u>	<u>5,776.7</u>	<u>13,489.5</u>
Total Nonresidential	\$3,036.9	\$15,311.4	\$5,385.6	\$35,904.7	\$50,878.0
New Dwelling Units					
Single-family	17	20	174	144	204
Multiple Family	<u>0</u>	<u>248</u>	<u>271</u>	<u>139</u>	<u>155</u>
TOTAL	17	268	445	283	359

*Source: Building Permit Summary, Construction Industry Research Board.*

*[Remainder of Page Intentionally Left Blank]*



Provided below are the building permits and valuations for the County for calendar years 2013 through 2017.

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

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

*Source: Building Permit Summary, Construction Industry Research Board.*

**Riverside County Commercial Activity**

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

**Taxable Retail Sales**

Provided below are the taxable retail transactions for the City of Murrieta for calendar years 2009 through 2016. \*

**CITY OF MURRIETA  
Taxable Retail Sales  
Number of Permits and Valuation of Taxable Transactions**

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

\*Data for 2017 will not be available until January/February 2019.

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

Provided below are the taxable retail transactions for the County of Riverside for calendar years 2009 through 2016. \*

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

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

\*Data for 2017 will not be available until January/February 2019.

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

## **Riverside County Agriculture**

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

## **Riverside County Transportation**

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

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

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

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

## **Riverside County Environmental Control Services**

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

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

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

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

### **Riverside County Education**

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

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

**APPENDIX B**

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES OF  
COMMUNITY FACILITIES DISTRICT NO. 2014-3  
OF THE MURRIETA VALLEY UNIFIED SCHOOL DISTRICT**

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**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES OF  
COMMUNITY FACILITIES DISTRICT NO. 2014-3  
OF THE MURRIETA VALLEY UNIFIED SCHOOL DISTRICT**

A Special Tax (as defined herein) shall be levied on and collected from all Assessor's Parcels in Community Facilities District No. 2014-3 of the Murrieta Valley Unified School District ("School District") each Fiscal Year commencing in Fiscal Year 2015/2016, in an amount determined by the Board through the application of the Rate and Method of Apportionment of Special Taxes ("RMA") described below. All of the real property within the District (as defined below), unless exempted by law or by provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

**SECTION A  
DEFINITIONS**

For purposes of this RMA, the terms hereinafter set forth have the following meanings:

**"Acreage"** means the number of acres of 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 Administrator may rely on the land area shown on the applicable Final Map.

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

**"Administrative Expenses"** means any ordinary and necessary expense incurred by the School District on behalf of the District related to the determination of the amount of the levy of Special Taxes, the collection of Special Taxes, including, but not limited to, the reasonable expenses of collecting delinquencies, the administration of Bonds, the proportionate payment of salaries and benefits of any School District employee whose duties are directly related to the administration of the District, and reasonable costs otherwise incurred in order to carry out the authorized purposes of the District including a proportionate amount of School District general administrative overhead related thereto.

**"Administrator"** means an official of the School District or designee thereof, responsible for determining the levy and collection of the Special Taxes.

**"Approved Property"** means all Assessor's Parcels of Taxable Property that (i) are associated with a Lot in a Final Map that was recorded prior to the January 1<sup>st</sup> preceding the Fiscal Year in which the Special Tax is being levied and (ii) have not been issued a building permit prior to the May 1<sup>st</sup> preceding the Fiscal Year in which the Special Tax is being levied.

**"Assessor's Parcel"** means a parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number within the boundaries of the District.

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

**"Assessor's Parcel Number"** means that number assigned to an Assessor's Parcel by the County for purposes of identification.

**"Assigned Annual Special Tax"** means the Special Tax of that name described in Section D hereof.

**“Backup Annual Special Tax”** means the Special Tax of that name described in Section E hereof.

**“Board”** means the Governing Board (Board of Education) of the School District, or its trustees, acting as the Legislative Body of the District.

**“Bond Index”** means the national Bond Buyer Revenue Index, commonly referenced as the 25-Bond Revenue Index. In the event the Bond Index ceases to be published, the index used shall be based on a comparable index for revenue bonds maturing in 30 years with an average rating equivalent to Moody’s A1 and/or Standard & Poor’s A+, as reasonably determined by the Board.

**“Bond Yield”** means the yield of the last series of Bonds issued, for purposes of this calculation the yield of the Bonds shall be the yield calculated at the time such Bonds are issued, pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, for the purpose of the Non-Arbitrage (Tax) Certificate or other similar bond issuance document.

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

**“Building Square Footage”** or **“BSF”** means the square footage of assessable internal living space of a Unit, exclusive of any carports, walkways, garages, overhangs, patios, enclosed patios, detached accessory structure, other structures not used as living space, or any other square footage excluded under Government Code Section 65995 as determined by reference to the building permit(s) for such Unit.

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

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

**“Developed Property”** means all Assessor’s Parcels of Taxable Property for which building permit(s) were issued on or before May 1 of the prior Fiscal Year, provided that such Assessor’s Parcels were created on or before January 1 of the prior Fiscal Year, as determined reasonably by the Administrator.

**“District”** means Community Facilities District No. 2014-3 of the School District.

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

**“Final Map”** means a final tract map, parcel map, lot line adjustment, or functionally equivalent map or instrument that creates individual Lots, recorded in the Office of the County Recorder.

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

**“Land Use Class or Classes”** means the tax class classifications depicted in Table 1 for all Assessor’s Parcels of Developed Property based on the Building Square Footage of the Units permitted on such Assessor’s Parcel.



**“Lot”** means an individual legal lot created by a Final Map for which a building permit for residential construction has been or could be issued. Notwithstanding the foregoing, in the case of an individual legal lot created by such Final Map upon which condominium units are entitled to be developed but for which a condominium plan has not been recorded, the number of Lots allocable to such legal lot for the purposes of calculating the Backup Special Tax applicable to such Final Map shall equal the number of condominium units which are permitted to be constructed on such legal lot as shown on such Final Map.

**“Maximum Special Tax”** means for each Assessor’s Parcel the maximum Special Tax, determined in accordance with Section C, which can be levied by the District in a given Fiscal Year on such Assessor’s Parcel.

**“Mitigation Agreement”** means the School Facilities Funding and Mitigation Agreement made and entered into as of August 14, 2014, by and among the School District and Whitewood 10 Acres LP.

**“Net Taxable Acreage”** means the total Acreage of Developed Property expected to exist in the District after all Final Maps are recorded.

**“Partial Prepayment Amount”** means the amount required to prepay a portion of the Special Tax obligation for an Assessor’s Parcel as described in Section H hereof.

**“Prepayment Administrative Fees”** means any fees or expenses of the School District or the District associated with the prepayment of the Special Tax obligation of an Assessor’s Parcel. Prepayment Administrative Fees shall include among other things the cost of computing the Prepayment Amount, redeeming Bonds, and recording any notices to evidence the prepayment and redemption of Bonds.

**“Prepayment Amount”** means the amount required to prepay the Special Tax obligation in full for an Assessor’s Parcel as described in Section G hereof.

**“Present Value of Taxes”** means for any Assessor’s Parcel the present value of (i) the unpaid portion, if any, of the Special Tax applicable to such Assessor’s Parcel in the current Fiscal Year and (ii) the Special Taxes expected to be levied on such Assessor’s Parcel in each remaining Fiscal Year, as determined by the Administrator, until the termination date specified in Section J. The discount rate used for this calculation shall be equal to (a) the Bond Yield after Bond issuance or (b) the most recently published Bond Index prior to Bond issuance.

**“Proportionately”** means that the ratio of the actual Special Tax levy to the applicable Assigned Annual Special Tax is equal for all applicable Assessor’s Parcels. In the case of Developed Property subject to apportionment of the Special Tax under Step Four of Section F, “Proportionately” shall mean that the quotient of (i) the Special Tax levy less the Assigned Annual Special Tax divided by (ii) the Backup Annual Special Tax less the Assigned Annual Special Tax is equal for all applicable Assessor’s Parcels.

**“Provisional Undeveloped Property”** means all Assessor’s Parcels of Taxable Property that would otherwise be classified as Exempt Property pursuant to Section K, but cannot be classified as Exempt Property because to do so would reduce the Net Taxable Acreage below the required minimum Acreage set forth in Section K, as applicable.

**“Reserve Fund Credit”** means an amount equal to the lesser of (i) the reduction in the applicable reserve fund requirement(s) resulting from the redemption of Bonds with the Prepayment Amount or (ii) ten percent (10%) of the amount of Bonds which will be redeemed.

In the event that a surety bond or other credit instrument satisfies the reserve requirement or the reserve requirement is underfunded at the time of the prepayment, no Reserve Fund Credit shall be given.

**“School District”** means the Murrieta Valley Unified School District, a public school district organized and operating pursuant to the Constitution and laws of the State of California.

**“Special Tax”** means any of the special taxes authorized to be levied by the District pursuant to the Act and this RMA.

**“Special Tax Requirement”** means the amount required in any Fiscal Year to pay (i) the debt service or the periodic costs on all outstanding Bonds, (ii) Administrative Expenses, (iii) the costs associated with the release of funds from an escrow account(s) established in association with the Bonds, (iv) any amount required to establish or replenish any reserve funds (or accounts thereof) established in association with the Bonds, and (v) the collection or accumulation of funds for the acquisition or construction of school facilities and certain costs associated with the maintenance and operations of school facilities authorized by the District provided that the inclusion of such amount does not cause an increase in the levy of Special Tax on Approved Property, Undeveloped Property, or Provisional Undeveloped Property as set forth in Steps Two through Four of Section F, less (vi) any amount(s) available to pay debt service or other periodic costs on the Bonds pursuant to any applicable bond indenture, fiscal agent agreement, trust agreement, or equivalent agreement or document. In arriving at the Special Tax Requirement the Administrator shall take into account the reasonably anticipated delinquent Special Taxes, provided that the amount included cannot cause the Special Tax levy on an Assessor Parcel of Developed Property to increase by greater than ten percent (10%) of what would have otherwise been levied.

**“Taxable Property”** means all Assessor’s Parcels which are not Exempt Property.

**“Undeveloped Property”** means all Assessor’s Parcels of Taxable Property which are not Developed Property or Approved Property.

**“Unit”** means each separate residential dwelling unit, including but not limited to a single family attached or detached unit, townhome, condominium, an apartment unit, mobile home, or otherwise, excluding hotel and motels.

## **SECTION B CLASSIFICATION OF ASSESSOR’S PARCELS**

Each Fiscal Year, commencing with Fiscal Year 2015/2016, all Assessor’s Parcels within the District shall be classified as either Taxable Property or Exempt Property. In addition, each Assessor’s Parcel of Taxable Property shall be classified as Developed Property, Approved Property, Undeveloped Property or Provisional Undeveloped Property. Developed Property shall be further assigned to a Land Use Class, according to Table 1 below, based on the Building Square Footage of each Unit.

**Table 1**  
**Land Use Classification**

Land Use Class	Building Square Footage
1	≤1,900 sq. ft.
2	1,901 – 2,000 sq. ft.
3	2,001 – 2,100 sq. ft.
4	≥ 2,101 sq. ft.

**SECTION C**  
**MAXIMUM SPECIAL TAX RATE**

**1. Developed Property**

The Maximum Special Tax for each Assessor’s Parcel classified as Developed Property shall be the greater of the amount derived by the application of the (a) Assigned Annual Special Tax or (b) Backup Annual Special Tax.

**2. Approved Property**

The Maximum Special Tax for each Assessor’s Parcel classified as Approved Property shall be derived by the application of the Assigned Annual Special Tax.

**3. Undeveloped Property**

The Maximum Special Tax for each Assessor’s Parcel classified as Undeveloped Property or Provisional Undeveloped Property shall be derived by the application of the Assigned Annual Special Tax.

**SECTION D**  
**ASSIGNED ANNUAL SPECIAL TAXES**

**1. Developed Property**

The Assigned Annual Special Tax for each Assessor’s Parcel of Developed Property will be determined in accordance with Table 2 below according to the Land Use Class of the Unit.

**Table 2**  
**Assigned Annual Special Taxes for Developed Property**

Land Use	Building Square Footage	Assigned Annual Special Tax
1	≤1,900 sq. ft.	\$1,822.56 per Unit
2	1,901 – 2,000 sq. ft.	\$1,870.01 per Unit
3	2,001 – 2,100 sq. ft.	\$1,924.23 per Unit
4	≥ 2,101 sq. ft.	\$1,971.68 per Unit

**2. Approved Property, Undeveloped Property and Provisional Undeveloped Property**

The Assigned Annual Special Tax for each Assessor's Parcel of Approved Property, Undeveloped Property, or Provisional Undeveloped Property shall be \$28,889.92 per acre of Acreage.

**SECTION E  
BACKUP ANNUAL SPECIAL TAX**

Each Fiscal Year, each Assessor's Parcel of Developed Property shall be subject to a Backup Annual Special Tax.

**1. Calculation of the Backup Annual Special Tax Rate**

The Backup Annual Special Tax rate for an Assessor's Parcel of Developed Property within a Final Map shall be the rate per Lot calculated in accordance with the following formula in Fiscal Year 2015/2016 or such later Fiscal Year in which such Final Map is created, as described below:

$$B = (U \times A) / L$$

The terms above have the following

B = Backup Annual Special Tax per Lot for the applicable Fiscal Year

U = Assigned Annual Special Tax per Acre of Undeveloped Property

A = Acreage of Taxable Property expected to exist in such Final Map at the time of calculation, as determined by the Administrator

L = Number of Lots in the applicable Final Map at the time of calculation.

**2. Changes to a Final Map**

If the Final Map(s) described in the preceding paragraph are subsequently changed or modified, then the Backup Annual Special Tax for each Assessor's Parcel of Developed Property changed or modified in each such Final Map shall be a rate per square foot of Acreage calculated as follows:

- a. Determine the total Backup Annual Special Tax revenue anticipated to apply to the changed or modified Assessor's Parcels prior to the change or modification.
- b. The result of paragraph 1 above shall be divided by the Acreage of Taxable Property of the modified Assessor's Parcels, as reasonably determined by the Administrator.

- c. The result of paragraph 2 above shall be divided by 43,560. The result is the Backup Annual Special Tax per square foot of Acreage that shall be applicable to the modified Assessor's Parcels.

**SECTION F  
METHOD OF APPORTIONMENT OF THE SPECIAL TAX**

Commencing Fiscal Year 2015/2016 and for each subsequent Fiscal Year, the Board shall levy Special Taxes on all Taxable Property in accordance with the following steps:

- Step One:** The Special Tax shall be levied on each Assessor's Parcel of Developed Property at the Assigned Annual Special Tax applicable to each such Assessor's Parcel.
- Step Two:** If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Approved Property up to 100% of the Assigned Annual Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.
- Step Three:** If additional moneys are needed to satisfy the Special Tax Requirement after the second step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Assigned Annual Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.
- Step Four:** If additional moneys are needed to satisfy the Special Tax Requirement after the third step has been completed, the Special Tax on each Assessor's Parcel of Developed Property, whose Maximum Special Tax is the Backup Annual Special Tax, shall be increased Proportionately from the Assigned Annual Special Tax up to 100% of the Backup Annual Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.
- Step Five:** If additional moneys are needed to satisfy the Special Tax Requirement after the fourth step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Provisional Undeveloped Property up to 100% of the Assigned Annual Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.

**SECTION G  
PREPAYMENT OF SPECIAL TAXES**

**1. Special Tax Prepayment Times and Conditions**

The Special Tax obligation of an Assessor's Parcel of Taxable Property may be prepaid, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel. An owner of an Assessor's Parcel intending to prepay the Assigned Special Tax shall provide the School District with written notice of intent to prepay. Within thirty (30) days of receipt of such written notice, the Administrator shall determine the Prepayment Amount for such Assessor's Parcel and shall notify such owner of such Prepayment Amount.

**2. Special Tax Prepayment Calculation**

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

$$P = PVT - RFC + PAF$$

The terms above have the following meanings:

P	=	Prepayment Amount
PVT	=	Present Value of Taxes
RFC	=	Reserve Fund Credit
PAF	=	Prepayment Administrative Fees

**3. Special Tax Prepayment Procedures and Limitations**

With respect to any Assessor’s Parcel that is prepaid, the Board shall indicate in the records of the District that there has been a prepayment of the Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the prepayment of the Special Tax obligation and the release of the Special Tax lien on such Assessor’s Parcel, and the obligation of such Assessor’s Parcel to pay such Special Tax shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Assigned Annual Special Taxes that may be levied on Taxable Property, excluding Provisional Undeveloped Property, after such prepayment net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year and such prepayment will not impair the security of all currently outstanding Bonds, as reasonably determined by the Administrator. Such determination shall include identifying all Assessor’s Parcels that are expected to be classified as Exempt Property.

**SECTION H  
PARTIAL PREPAYMENT OF SPECIAL TAXES**

**1. Partial Prepayment Times and Conditions**

The Special Tax obligation of Assessor’s Parcels of Taxable Property may be partially prepaid in increments of ten (10) units, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor’s Parcels at the time the Special Tax obligation would be partially prepaid. An owner of an Assessor’s Parcel(s) intending to partially prepay the Assigned Annual Special Tax shall provide the District with written notice of their intent to partially prepay. Within thirty (30) days of receipt of such written notice, the Administrator shall determine the Partial Prepayment Amount of such Assessor’s Parcel and shall notify such owner of such Partial Prepayment Amount.

**2. Partial Prepayment Calculation**

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

$$PP = PVT \times F - RFC + PAF$$

The terms above have the following meanings:

PP	=	the Partial Prepayment Amount
PVT	=	Present Value of Taxes
F	=	the percent by which the owner of the Assessor's Parcel is partially prepaying the Annual Special Tax obligation
RFC	=	Reserve Fund Credit
PAF	=	Prepayment Administrative Fees

**3. Partial Prepayment Procedures and Limitations**

With respect to any Assessor's Parcel that is partially prepaid, the District shall indicate in the records of the District that there has been a partial prepayment of the Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the partial prepayment of the Special Tax obligation and the partial release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Special Tax shall cease. Additionally, the notice shall indicate that the Assigned Annual Special Tax and the Backup Annual Special Tax if applicable for the Assessor's Parcel has been reduced by an amount equal to the percentage which was partially prepaid.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Special Taxes that may be levied on Taxable Property, excluding Provisional Undeveloped Property, after such partial prepayment, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year and such partial prepayment will not impair the security of all currently outstanding Bonds, as reasonably determined by the Administrator. Such determination shall include identifying all Assessor's Parcels that are expected to be classified as Exempt Property.

**SECTION I  
ANNUAL SPECIAL TAX REMAINDER**

In any Fiscal Year which the Special Taxes collected from Developed Property exceeds the amount needed to make regularly scheduled annual interest and principal payments on outstanding Bonds and pay Administrative Expenses, the School District may use such amount for acquisition, construction or financing of school facilities and certain costs associated with the maintenance and operations of school facilities in accordance with the Act, District proceedings and other applicable laws as determined by the Board.

**SECTION J  
TERMINATION OF SPECIAL TAX**

The Special Tax shall be levied for a term of three (3) Fiscal Years after the final maturity of the last series of Bonds, provided that the Special Tax shall not be levied later than Fiscal Year 2055/2056. However, the Special Tax may cease to be levied in an earlier Fiscal Year if the Board has determined (i) that all required interest and principal payments on the Bonds have been paid, (ii) all authorized facilities of the District have been acquired and all reimbursements have been paid, and (iii) all other obligations of the District have been satisfied.

**SECTION K  
EXEMPTIONS**

The Administrator shall classify as Exempt Property in the chronological order in which each Assessor Parcel becomes (i) owned by the State of California, federal or other local governments, (ii) used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) owned by a homeowners' association, (iv) burdened with a public or utility easements making impractical their utilization for other than the purposes set forth in the easement, or (v) any other Assessor's Parcels at the reasonable discretion of the Board, provided that no such classification would reduce the Net Taxable Acreage to less than 5.4900 ("Minimum Taxable Acreage").

Notwithstanding the above, the Administrator or Board shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property to less than the Minimum Taxable Acreage. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than the Minimum Taxable Acreage will be classified as Provisional Undeveloped Property, as applicable, and will continue to be subject to Special Taxes accordingly.

**SECTION L  
APPEALS**

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Administrator to be received by the Administrator not later than six (6) months after having paid the first installment of the Special Tax that is disputed. The reissuance or cancellation of a building permit is not an eligible reason for appeal. In order to be considered sufficient, any notice of appeal must (i) specifically identify the property by address and Assessor's Parcel Number, (ii) state the amount in dispute and whether it is the whole amount or only a portion of the Special Tax, (iii) state all grounds on which the property owner is disputing the amount or application of the Special Tax, including a reasonably detailed explanation as to why the amount or application of such Special Tax is incorrect, (iv) include all documentation, if any, in support of the claim, and (v) be verified under penalty of perjury by the person who paid the Special Tax or his or her guardian, executor or administrator. The Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the representative's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s) as the representative's decision shall indicate.



**SECTION M**  
**MANNER OF COLLECTION**

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes and shall be subject to the same penalties, the same procedure, sale and lien priority in the case of delinquency; provided, however, that the District may directly bill all or a portion of the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and if so collected, a delinquent penalty of ten percent (10%) of the Special Tax will attach at 5:00 p.m. on the date the Special Tax becomes delinquent and interest at 1.5% per month of the Special Tax will attach on the July 1 after the delinquency date and the first of each month thereafter until such Special Taxes are paid.

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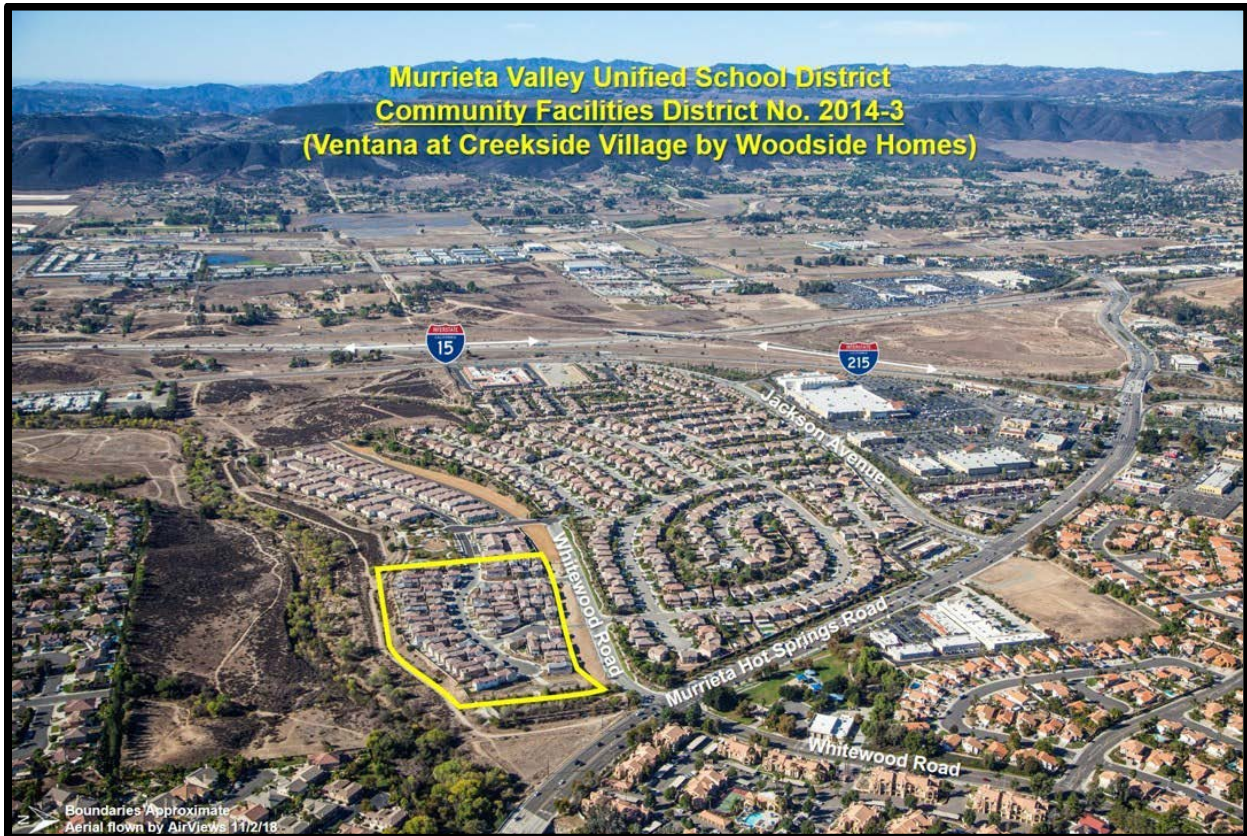
**APPENDIX C**  
**APPRAISAL REPORT**

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# APPRAISAL REPORT

## MURRIETA VALLEY UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 2014-3 (VENTANA AT CREEKSIDE VILLAGE by WOODSIDE HOMES)

City of Murrieta, Riverside County, California  
(Appraisers' File No. 2018-1190)



**Prepared For**  
Murrieta Valley Unified School District  
41870 McAlby Court  
Murrieta, CA 92562

**Prepared By**  
Kitty Siino & Associates, Inc.  
115 East Second Street, Suite 100  
Tustin, California 92780

**KITTY SIINO & ASSOCIATES, INC.**

REAL ESTATE APPRAISERS & CONSULTANTS

November 21, 2018

Mr. William Olien, Assistant Superintendent, Facilities / Operational Services  
**Murrieta Valley Unified School District**  
41870 McAlby Court  
Murrieta, CA 92562

Reference: Appraisal Report  
MVUSD - Community Facilities District No. 2014-3  
Southeast Corner of Whitewood Road and Murrieta Hot Springs Road,  
Murrieta, California

Dear Mr. Olien:

At the request and authorization of the Murrieta Valley Unified School District, we have completed an Appraisal Report for Murrieta Valley Unified School District Community Facilities District No. 2014-3 ("MVUSD CFD No. 2014-3") which consists of 83 detached condominiums developed by Woodside Homes within Tract Map 36496. The development is known as Ventana at Creekside Village by Woodside Homes and all 83 homes are generally complete. The community began selling in February of 2017 and 79 of the 83 homes have been sold to date. Of the 83 detached condos, 72 have been completed and closed to individuals, seven are in escrow and estimated to close by the end of November and the remaining four are the model homes which are currently available for sale.

The valuation method used in this report is the Sales Comparison Approach along with a mass appraisal technique as defined within this report. The fee simple estate of the subject property has been valued subject to the MVUSD CFD No. 2014-3 special tax lien. This report is written with the special assumption that the subject properties are enhanced by the improvements and/or fee credits to be funded by the Special Tax Bonds of MVUSD CFD No. 2014-3. As a result of our investigation, the concluded minimum market value for the subject property is:

<u>Ventana at Creekside Village</u>	
Woodside Ownership	\$ 3,280,727
Individual Owners	\$ 26,991,060
<b>Aggregate Value for MVUSD CFD No. 2014-3</b>	<b><u>\$ 30,271,787</u></b>

The values are stated subject to the Assumptions and Limiting Conditions of this report, the Appraiser's Certification and are current as of November 5, 2018.

Mr. William Olien  
Murrieta Valley Unified School District  
November 21, 2018  
Page Two

Some supporting documentation concerning the data, reasoning and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. This Appraisal Report is intended to comply with both the Uniform Standards of Professional Appraisal Practice ("USPAP" January 2018) and with the Appraisal Standards of the California Debt and Investment Advisory Commission ("CDIAC"). The appraiser is not responsible for unauthorized use of this report.

This letter of transmittal is part of the attached report, which sets forth the data and analyses upon which our opinion of value is, in part, predicated.

Respectfully submitted,

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**KITTY SIINO & ASSOCIATES, INC.**



Kitty S. Siino, MAI  
California State Certified General  
Real Estate Appraiser (AG004793)

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### ADDENDA

Murrieta Valley Unified School District CFD 2014-3 Boundary Map  
Ventana at Creekside Village Site Plan  
Tract Map No.36496  
Discounted Cash Flow Analysis  
Improved Residential Sales Map and Summary Chart  
Appraiser's Qualifications



## **ASSUMPTIONS AND LIMITING CONDITIONS**

1. This report might not include full discussions of the data, reasoning and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Some supporting documentation concerning the data, reasoning and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.
2. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.
3. It is assumed that the subject property is subject to the special tax lien of MVUSD CFD No. 2014-3.
4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
5. The information furnished by others is believed to be reliable; however, no warranty is given for its accuracy.
6. All engineering is assumed to be correct. Any plot plans and illustrative material used in this report are included only to assist the reader in visualizing the property and may not be to scale.
7. It is assumed that there are no hidden or unapparent conditions of either property, subsoil or structures that would render them more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
8. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in this report.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined and considered in this appraisal report.
10. It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.
11. Any sketch or photograph included in this report may show approximate dimensions and is included only to assist the reader in visualizing the properties. Maps, photographs and exhibits found in this report are provided for reader reference

purposes only. No guarantee regarding accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.

12. It is assumed that the utilization of the land and improvements (if any) are within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.
13. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert relating to asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials that may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.
14. Proposed improvements, if any, are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.
15. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings, if any, must not be used in conjunction with any other appraisal and are invalid if so used.
16. The Americans with Disabilities Act ("ADA") became effective on January 26, 1992 and has been updated several times since then. The appraiser has made no specific compliance survey and analysis of the property to determine whether they conform to the various detailed requirements of the ADA, nor is the appraiser a qualified expert regarding the requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence relating to this issue, a possible noncompliance with requirements of the ADA in estimating the value has not been considered.
17. It is assumed there are no environmental concerns that would slow or thwart development of the subject properties and that the soils are adequate to support the highest and best use conclusions.
18. It is assumed that the sales information and remaining cost information provided by Woodside Homes and/or their consultants is true and accurate. We have reviewed

and analyzed the sales along with checking samples on various public record documents and the information appears to be correct.

19. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper qualification and only in its entirety. Permission is given for this appraisal to be published as a part of the Official Statement or similar document for the MVUSD CFD No. 2014-3 Special Tax Bonds.

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### **HYPOTHETICAL CONDITION**

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1. It is assumed that all benefits to the subject properties, which are to be funded by the MVUSD CFD No. 2014-3 Special Tax Bond proceeds, are completed and in place.



**Murrieta Valley Unified School District  
Community Facilities District No. 2014-3  
(Ventana at Creekside Village by Woodside Homes)**



## PURPOSE OF THE APPRAISAL

The purpose of this appraisal report is to estimate the value of the fee simple interest of the subject property, subject to the special tax lien of the MVUSD CFD No. 2014-3 Special Tax Bonds.

## THE SUBJECT PROPERTY

The subject property consists of 83 detached condominium lots within the City of Murrieta, located east of I-215 and just south of Murrieta Hot Springs Road. The subject lands are being developed by Woodside Homes into a cluster product with detached homes sharing a driveway grouped in generally three to six detached houses. Woodside Homes is marketing the project as Ventana at Creekside Village, which is covered by Tract 36496. Ventana opened for sale in February 2017 with all production homes sold and four models remaining available for sale. The subject property is detailed below.

Description	No. Lots	Ownership	Condition/Status
Lots 12 - 83	72	Individuals	Completed Houses / Closed
Lots 1-3 and 5	4	Woodside	Model Homes
Lots 4 and 6-11	7	Woodside	Homes over 95% Complete (7 in escrow)
<b>Total</b>	<b><u>83</u></b>		

## INTENDED USE OF THE REPORT

It is the appraiser's understanding that the client, the Murrieta Valley Unified School District, will utilize this report in disclosure documents related to the sale of the Special Tax Bonds of Murrieta CFD No. 2014-3. This report may be included in the Official Statement or similar document to be distributed in connection with the marketing and offering of the bonds. It is the appraiser's understanding that there are no other intended users of this report.

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## DEFINITIONS

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### **Market Value**

The term "Market Value" as used in this report is defined as:

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

- 1. buyer and seller are typically motivated;*
- 2. both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest;*
- 3. a reasonable time is allowed for exposure in the open market;*
- 4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- 5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."<sup>1</sup>*

Inherent in the Market Value definition is exposure time or the time the subject property would have been exposed on the open market prior to the appraisal in order to sell at the concluded values. In the case at hand, and considering current market conditions, the exposure time for each individually owned property or the builder-owned property in a bulk sale is less than twelve months.

### **Finished Lot**

The term "Finished Lot" as used in this report is defined as:

*"A parcel which has legal entitlements created by a recorded subdivision map, whose physical characteristics are a fine graded level pad per lot with infrastructure contiguous to each individual lot, asphalt paved roads and the necessary utilities. This term assumes the payment of all applicable development fees with the exception of building permit and plan check fees."*

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<sup>1</sup> The Appraisal of Real Estate, 13<sup>th</sup> Edition



### **Minimum Market Value**

The term “Minimum Market Value” as used in this report is defined as:

*“The base market value of a new home. That is, most buyers purchase some upgrades, options and/or lot premiums when purchasing a new home. The sales price for the new home typically includes the base price for the plan, plus any upgrades, options or lot premiums, less concessions, if any, which were given or paid for by the builder. The concluded minimum market value is for the base value of the plan only, not taking into consideration any upgrades, options or premiums.”*

### **Mass Appraisal**

The term “Mass Appraisal” as used in this report is defined as:

*“The process of valuing a universe of properties as of a given date using standard methodology employing common data and allowing for statistical testing”<sup>2</sup>*

In the case at hand, the statistical testing included reviewing all original builder sales and reviewing the Multiple Listing Service (“MLS”) for any re-sales and/or listings of each plan type. In addition, we have determined the actual range of sales prices for each plan type which will be utilized in the valuation process. The search of the MLS and our physical inspection resulted in no re-sales or current listings within the subject property.

### **Hypothetical Condition**

The Term “Hypothetical Condition” is defined by USPAP as:

*“That which is contrary to what exists but is supposed for the purpose of the analysis”*

The Hypothetical Condition within this report is that subject property is enhanced by the improvements and/or fee credits to be funded by bonds issued by MVUSD CFD No. 2014-3.

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<sup>2</sup> USPAP 2014-2015 Edition

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## PROPERTY RIGHTS APPRAISED

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The property rights being appraised are of a fee simple estate interest, subject to easements of record and subject to MVUSD CFD No. 2014-3. The definition of “fee simple estate” is defined as:

*“absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”<sup>3</sup>*

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## EFFECTIVE DATE OF VALUE

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The subject properties are valued as of November 5, 2018.

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## DATE OF REPORT

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The date of this report is November 21, 2018.

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## SCOPE OF APPRAISAL

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As previously stated, the purpose of this appraisal is to report the appraiser’s best estimate of the market value for the subject property, MVUSD CFD No. 2014-3, which consists of the community known as Ventana at Creekside Village by Woodside Homes. The subject property includes 83 detached condominium homes within Tract 36496 which were developed and marketed by Woodside Homes. Out of the 83 detached houses, 79 have been sold and 72 of those have been closed to individuals. Of the eleven houses which are builder-owned (including four model homes), seven are in escrow and anticipated to close by the end of November. The final four houses are the model homes and are currently available for sale. This appraisal will be presented in the following format:

- County of Riverside Description
- City of Murrieta Description
- Immediate Surroundings Description
- Brief Description of MVUSD CFD No. 2014-3
- Subject Property Description
- Riverside County Residential Market Analysis

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<sup>3</sup> The Appraisal of Real Estate, 13<sup>th</sup> Edition



- Highest and Best Use Analysis
- Valuation Procedure, Analysis and Conclusions
- Appraisal Report Summary

In valuing the subject property, the value estimates will be based upon the highest and best use conclusion using the Sales Comparison Approach. The Sales Comparison Approach to value is defined as:

*“...a set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, then applying appropriate units of comparison and making adjustments to the sales prices of the comparables based on the elements of comparison. The Sales Comparison Approach may be used to value improved properties, vacant land or land being considered as though vacant; it is the most common and preferred method of land valuation when an adequate supply of comparables is available.”<sup>4</sup>*

In the Sales Comparison Approach, market value is estimated by comparing properties similar to the subject property that have recently been sold, are listed for sale or are under contract. Neither a cost or income approach was utilized as they were not considered necessary to arrive at credible results. In addition, we have utilized a mass appraisal technique which included reviewing all builder sales, utilizing the low and high prices paid for each plan-type and searching the MLS for any re-sales and/or listings (none were found).

The due diligence of this appraisal report included the following:

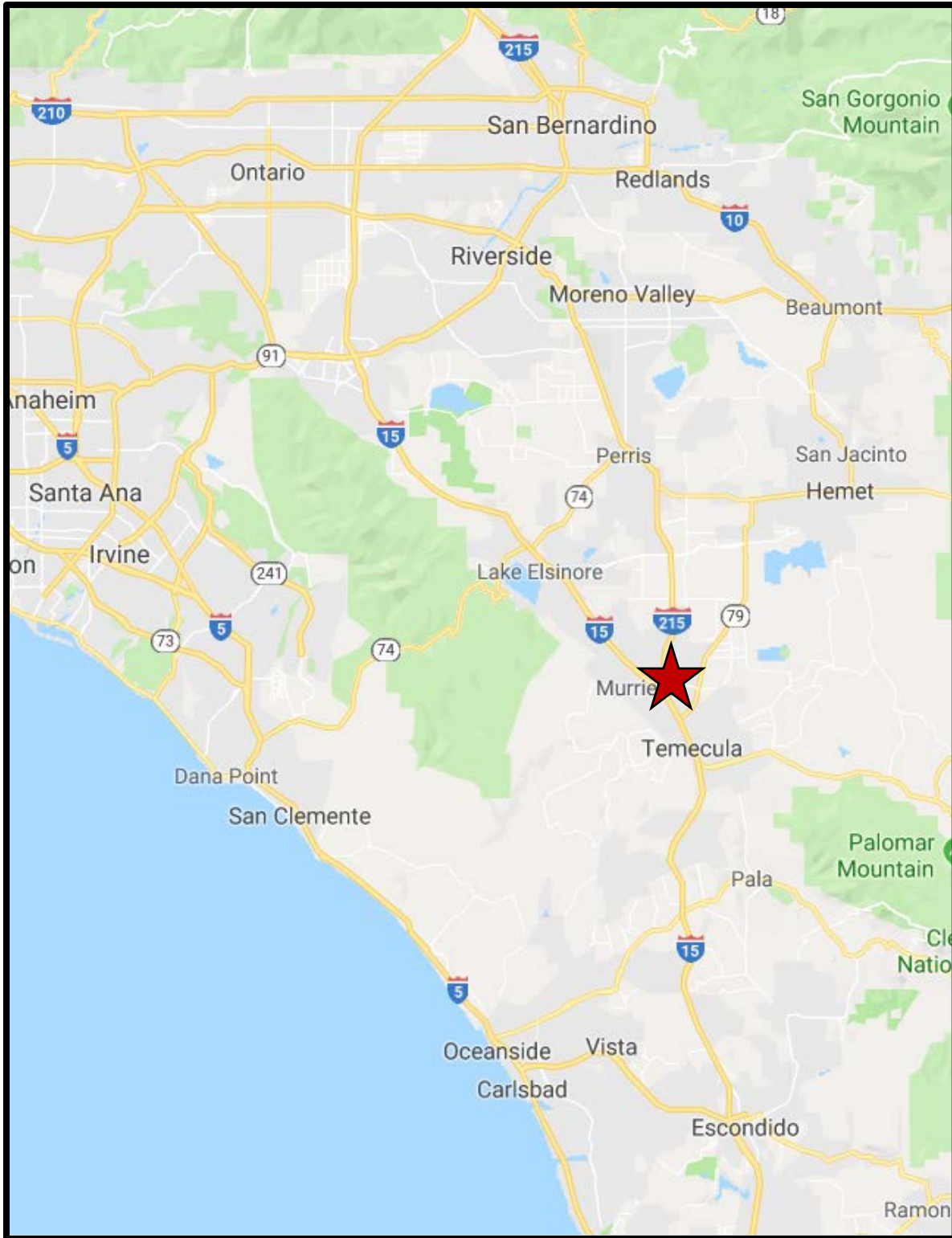
1. Compiled demographic information and related that data to the subject property to perform a feasibility/demand analysis.
2. Gathered and analyzed information on the subject marketplace, reviewed several real estate brokerage publications on historical and projected growth in the subject market and researched the micro and macro-economic outlook within Riverside County and the Murrieta area.
3. Inspected the subject property between October 1 and November 6, 2018.
4. Had the site flown by an aerial photographer on November 2, 2018.

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<sup>4</sup> Dictionary of Real Estate Appraisal, Fourth Edition, 2002

5. Interviewed representatives and or consultants from Woodside Homes in order to obtain project information.
6. Reviewed a Preliminary Title Report on the subject property.
7. Reviewed the Creekside Village Specific Plan.
8. Reviewed a Geotechnical Report on the subject property.
9. Searched the area for relevant comparable new residential projects, including sales prices and concessions and interviewed representatives from each comparable project.
10. Reviewed sales brochures on the subject neighborhood.
11. Reviewed developer sales information on each home sold, both closed and in escrow.
12. Reviewed Multiple Listing Service information to determine if there are any re-sales, pending sales or current listings of re-sales of existing homes.
13. Reviewed remaining development costs provided by Woodside Homes.

**REGIONAL AREA MAP**



## COUNTY OF RIVERSIDE AREA DESCRIPTION

### **Location**

The subject property is located in the southwestern portion of Riverside County (the "County") in the City of Murrieta, approximately one-half mile northeast of the junction of Interstate 215 ("I-215") and Interstate 15 ("I-15"). The County encompasses approximately 7,300 square miles, and includes large expanses of undeveloped deserts, valleys, canyons and mountains. The County is a major beneficiary of outward urban pressure from Orange and Los Angeles Counties as well as growth from San Diego County to the south. Although located at the periphery of most urban activity in Southern California, Riverside County, particularly the western area, has been a major growth area and is perceived by most observers as an area expected to continue to grow. Riverside and San Bernardino Counties are considered distinct from Los Angeles and Orange Counties and belong to the same Metropolitan Statistical Area ("MSA"). The area, consisting of San Bernardino and Riverside Counties, is commonly referred to as the Inland Empire.

### **Transportation**

The subject property is situated approximately one-half mile northeast of the I-15 and I-215 junction. It is located just south of Murrieta Hot Springs Road, and two miles north of Highway 79/Winchester Road. I-15 travels in a northerly/southerly direction and provides access to Barstow and Nevada to the north and San Diego to the south. I-215, also travels in a northerly/southerly direction within the County before branching off from I-15 near the subject and heading generally north where it parallels I-15 to the east and merges back into I-15 approximately 40 miles northwest of the subject property in San Bernardino County. In addition, the 60 Freeway runs in an east-west direction 27 miles north of the subject property, providing access into Los Angeles County to the west and merges with Interstate 10 to the east which provides access across California and into Arizona.

The County is served by Amtrak and Metrolink as well as several rail freight lines. The Ontario International Airport provides regional air service and is located 43 miles

northwest of the subject property while the Orange County Airport is located approximately 40 miles west. The San Diego International Airport is located about 55 miles south. In addition, the County has extensive trucking corridors along the previously referred to interstates, highways and state freeways.

### **Population**

The County has experienced population growth for several decades and is anticipated to continue to do so in the foreseeable future. Per the California Department of Finance, the January 1, 2018 County population was 2.415 million. This represents a one-year increase of 1.4 percent. This compares to an average annual growth rate over the past eight years of 1.24 percent and an average annual growth rate of approximately 2.5 percent for the previous eighteen-year period. Current State projections for Riverside County suggest the population is anticipated to reach approximately 2.857 million by 2030, indicating an average annual increase of 1.4 percent for the next twelve years. The current growth of 1.4 percent is higher than the previous eight-year annual average of 1.24 percent, however lower than the previous 18 years average (2.5 percent) likely due to the Great Recession. The future growth is predicted assuming a more stable market than was seen prior to the Great Recession.

### **Economy**

As with the rest of the nation, the Inland Empire experienced a significant multi-year recession, now known as the Great Recession, between 2007 and mid-2012. The MSA, which had strong employment over the previous decade, saw unemployment rates increase significantly between 2007 and 2010. Unemployment has declined substantially since that time with the last couple years showing historical low unemployment. The unadjusted unemployment rate for the MSA was estimated at 4.1 percent (per the September 2018 Employment Development Department), which is below the pre-recession low of 4.3 percent in January 2006, and a significant decrease since the unemployment peak in July 2010 of 15.1 percent. As of September 2018, Riverside County had a 4.4 percent unemployment rate while San Bernardino County had a 3.8 percent rate. The current MSA unemployment rate of 4.1 percent is similar to the current

California statewide unemployment rate of 3.9 percent and slightly higher than the September 2018 National unemployment rate of 3.7 percent. Below is a table comparing Riverside County’s unemployment rates to the unemployment rates of the surrounding counties.

<u>Jurisdiction</u>	<u>As of</u>	<u>Unemployment Rate</u>
Los Angeles County	9/18	4.8%
<b>Riverside County</b>	<b>9/18</b>	<b>4.4%</b>
San Bernardino County	9/18	3.8%
Orange County	9/18	2.8%
San Diego County	9/18	3.2%

*Source: State of California E.D.D. September 2018 Report (Released 10/19/18)*

Over the past 20 years, the Riverside County economy has had significant cycles with home prices almost doubling from 1995 to 2005, then falling by over 50 percent during the Great Recession, taking prices back to 2002 levels. Home values appeared to hit bottom in 2009 then remained essentially flat for two to three years with the majority of the Riverside County housing market seeing an improvement beginning in mid-2012. While coastal Southern California housing enjoyed significant increases over the past five years, the Inland Empire has bounced back slower. Riverside County is still not yet at the previous median home price peak and sales are significantly slower than prior to the recession. In late 2016 Riverside County saw builder land purchases increase as sales of new homes picked up. In 2017, the County saw good increases in both sales and pricing however the latter half of 2018 has seen sales dropping as prices continue to rise. Most economists think the slow-down in sales is due to the higher price of housing rather than a lessor demand. Some economists are now suggesting we have an overheated housing market affecting affordability (in terms of unsustainable annual rates of housing price appreciation) which is creating a market correction in pricing. This has not been seen in the Inland Empire as drastically as in the Coastal Communities of Southern California, however has been seen more in Riverside County (closer to coastal communities) than in San Bernardino County.

The Federal Government attempted to correct the struggling economy by implementing several economic stimulus packages during the Great Recession. The Federal Reserve Board ("Board") kept interest rates below historical averages, dropping rates to zero in December 2008 until the December 2015 Board meeting, when they began raising interest rates. There have been eight interest rate hikes by the Board (each time at one-quarter percent) with one more anticipated by the end of 2018. It is anticipated that the Board will keep raising rates as long as the economy stays steady. Current factors anticipated to affect the economy in a negative way include the trade conflicts and tariffs which the current administration is enforcing and the fading of the benefits of last year's tax cuts. While the December 2017 adoption of the Tax Cuts and Jobs Act ("TCJA") spurred the economy in early 2018, the Sales and Local Tax limitation portion of the TCJA has yet to play out. The current positive influence on the economy is the low unemployment rate (nationally at 3.7 percent, near a 50-year low) which will accelerate wages and inflation which should prod the Board to keep tightening credit to ensure that the economy doesn't overheat.

California's labor markets make it easy to understand why the mid-2000s downturn is being called the Great Recession. After peaking at 15.454 million non-farm jobs in June 2007, the State shed over 1.33 million non-farm positions by February 2010. Since hitting bottom, California has now added back 3.02 million jobs for a total of 17.20 million non-farm jobs as of September 2018, per the California Employment Development Department. This well surpasses the previous peak, however, there are a high number of part-time jobs included in this number.

The University of California, Riverside is now reporting an Inland Empire Business Activity Index which draws on employment and other data. The latest report shows the region's business activity expanding 2.2 percent in the first quarter of 2018 compared to a 2.3 percent expansion over the same time period in the nation. When comparing the past year however, the Inland Empire has outperformed the nation with business activity growing by 3.8 percent compared to the U.S. GDP growing at 2.9 percent. The University's report states the Inland Empire is the fastest growing job market in all of

Southern California with job gains in every sector. They are predicting business activity to expand between 2.5 and 3.5 percent in 2018; however, they do anticipate that eventually growth will be constrained due to labor shortages driven by the state's high cost of living.

According to the most recent UCLA Anderson Forecast (*September 26, 2018*), the overall economy continues to grow in its 10<sup>th</sup> year of expansion but there are some questions as to whether the current growth is sustainable. Currently operating at full employment and benefiting from the massive tax cut and spending increases, 2018 is enjoying a 3 percent growth track but the Forecast anticipates it to slow to 2 percent in 2019 and to a near recession 1 percent in 2020. The factors contributing to the economy's current strength include consumer spending, equipment spending and oil and gas activity along with the recently enacted corporate tax cuts. In the national spotlight, housing remains the one disappointing sector in the current economy. Instead of the average 1.5 million units produced a year, housing starts are forecast to peak at 1.35 million in 2019 then begin a decrease as higher mortgage rates exact their toll. The Forecast does note that housing starts remain below the underlying demographic demand and that multi-family housing units represent about one-third of the overall of new home activity.

The UCLA Forecast for California, written by Senior Analyst Jerry Nickelsburg, forecasts a weakening of California's economic growth in 2020, consistent with the national economy. However, California is expected to continue to grow faster than the U.S. One of the biggest threats to the State's economy is the trade and tariff wars. If a significant slowdown in trade occurs, the logistics industry will be adversely affected. The logistics industry has been one of the fastest growing sectors in California with a significant presence in the Inland Empire. It is anticipated that California's average unemployment rate will remain higher than the U.S. rate and be at 4.2 percent in 2020 (currently at 3.9 percent) due to a younger and more entrepreneurial workforce. Personal income in California is anticipated to grow at 2.5 percent in 2018, 3.6 percent in 2019 and 2.9 percent in 2020. The California Forecast predicts that home building will accelerate to



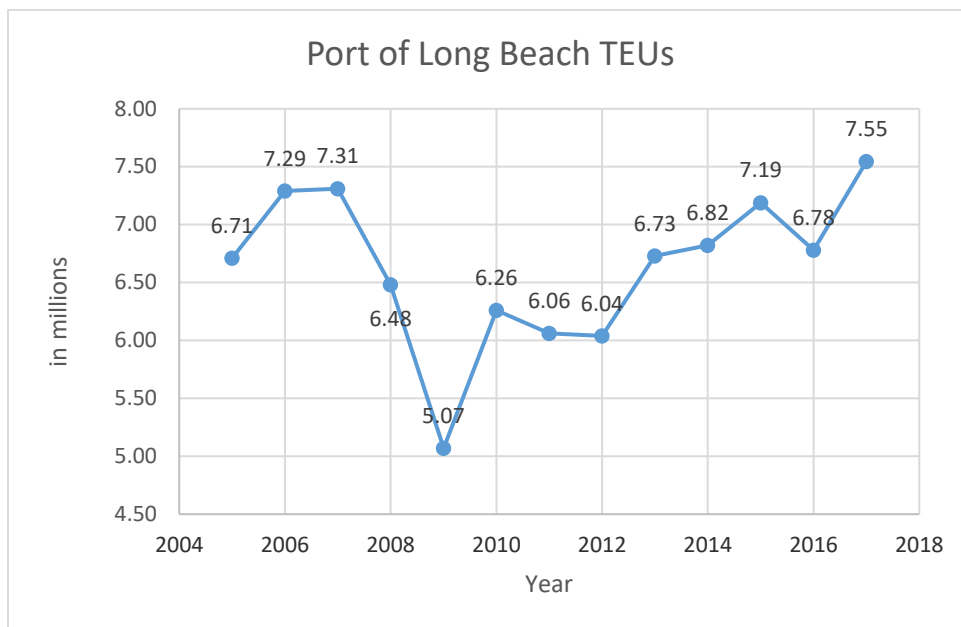
about 140,000 units per year by the end of the year 2020. This is a more positive outlook than the new home building outlook for the nation.

According to John Husing's Inland Empire Economic Partnership's Quarterly Economic Report dated July 2018, the Inland Empire's forecast is being driven by national forces. The President's use of tariffs to impact international trade raises the possibility of significant local economic disruptions. The Inland Empire's employment is heavily dependent on handling imported goods through its logistics sector which has added 84,193 new jobs between 2011- 2018 (based on current estimates for 2018). This powerful local job growth could be adversely affected if trade wars ensue. The Inland Empire is on track to add 50,728 jobs in 2018, an increase of 3.5 percent. This will mark the sixth year in a row that local employment will have increased by over 45,000 jobs annually. This brings the total number of jobs to 16.1 percent above the pre-recession high in 2007 of 1,306,342 or to 1,516,744. The Great Recession cost the Inland Empire 140,650 jobs between 2008 and 2010 but the gain between 2011 to 2018 has been more than double the loss, up 351,052. The logistics industry (wholesale trade, trucking and warehousing) has been the primary driver of the inland economy in recent years. The fact e-commerce continues to expand at a 15-16 percent compounded annual rate throughout 2010 – 2018 has forced retailers to begin aggressively embracing and staffing large, regional fulfillment centers. The Inland Empire's location and access from the Port of Long Beach along with land availability has made it the top area in Southern California for building fulfillment centers which typically cover over one-million square feet. The growth in 2018 is predicted to be down slightly due to the difficulty in finding entitled sites for new buildings rather than a slow-down in demand.

One of the main reasons the MSA was slow to pull out of the recession relates to housing. Both Riverside and San Bernardino Counties saw a considerably steeper rise and then subsequent fall of housing prices than almost anywhere else in the State. Inland Empire median existing housing prices went from \$388,000 at the peak of the market in 2006 to \$155,100 in 2009. The September 2018 MSA median price is \$356,000 per the California Association of Realtors, still below the previous peak and 1.9 percent below the

August 2018 median price of \$365,000. Foreclosures and short sales, which constituted a large number of housing sales from 2009 through 2013, have decreased significantly to the point where they are no longer affecting prices.

As a final indicator of overall economic activity for the region we have reviewed the rise or fall of TEUs (Twenty-foot Equivalent Units – i.e., containers) being processed in the local ports. This is especially important for the inland communities as it represents much of the growth in development of West Coast distribution centers and warehouses linked to supply-chain nodes in the Pacific Rim. The chart below shows TEU activity at the Port of Long Beach. The activity resulted in a flattening of TEUs during 2006 and 2007, decreases occurring in 2008 and 2009, and an increase in 2010 followed by stabilization until 2013. Generally, there has been increases with the exception of a slight dip in 2016 with 2017 hitting an all-time high. Current estimates are for 2018 to show an 8.2 percent growth over 2017.



## **Government**

The County is overseen by a Board of Supervisors as the governing body of the County, certain County special districts and the County Housing Authority. The Board of Supervisors enacts ordinances and resolutions, adopts the annual budget, approves

contracts and appropriates funds, determines land use zoning for unincorporated areas and appoints certain County officers and members of various boards and commissions. The Board of Supervisors are elected from five different districts within the County.

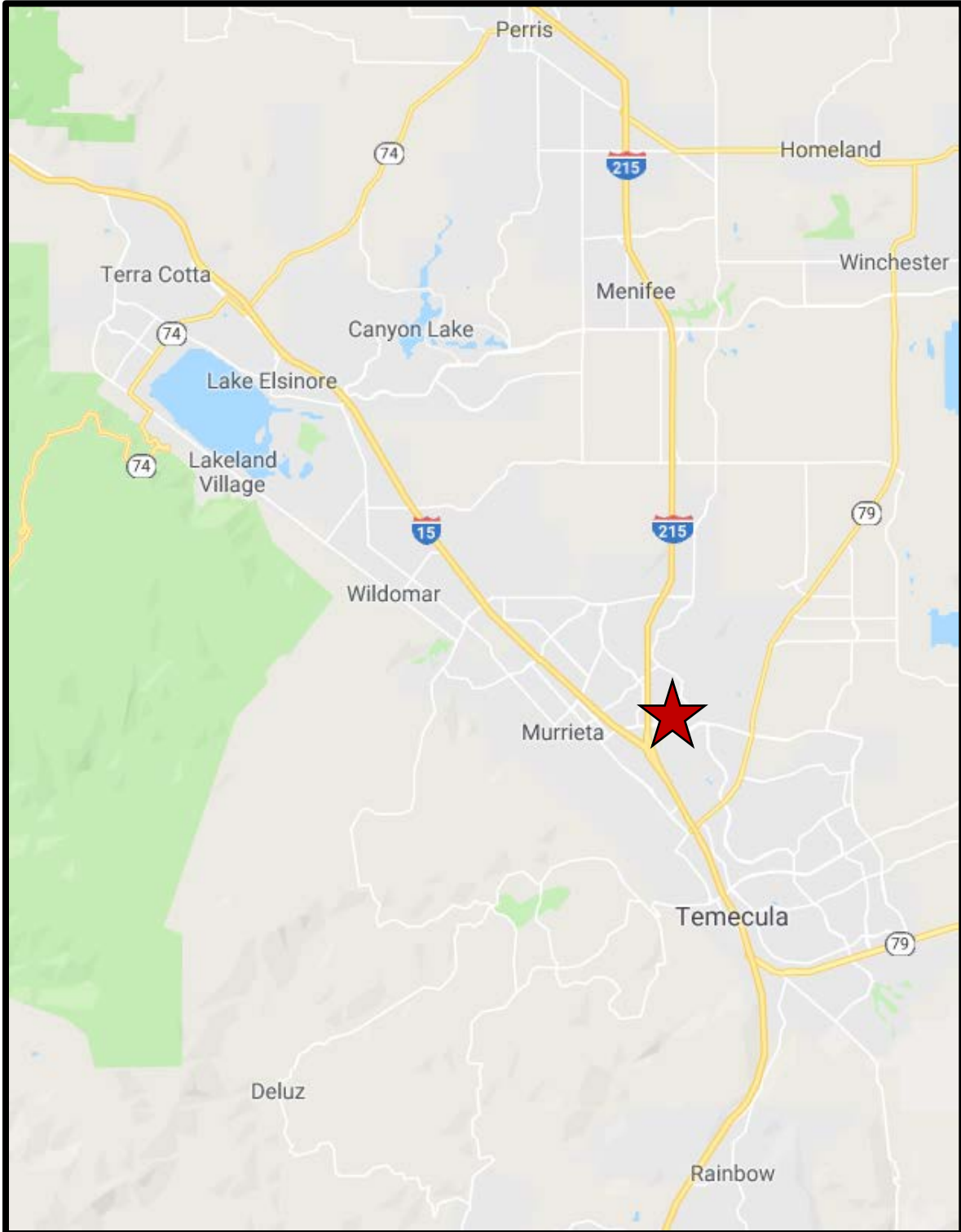
### **Education**

The subject area is served by the Murrieta Valley Unified School District (MVUSD). MVUSD covers a large portion of Murrieta and operates eleven elementary schools, four middle schools, and three high schools. The subject property will be served by Alta Murrieta Elementary School, Warm Springs Middle School and Vista Murrieta High School. Higher education is available within an hour's drive at the University of California campuses at Riverside and Irvine or California State University campuses in San Bernardino, San Marcos, Fullerton and Pomona along with several additional private colleges. The closest community college is Mt. San Jacinto College.

### **Conclusion**

Population in the County has increased over the past 30 years with predictions for continued population growth. The nation's economy is showing strong growth with the Inland Empire's job growth leading the state and out-performing the nation. After the Great Recession, the Inland Empire's housing market saw a resurgence beginning the second half of 2012 with prices increasing since that time. The past two years have seen strong price increases in the Inland Empire's real estate market, however sales appear to be slowing. The economy typically has cycles and most signs are suggesting the U.S. economy is on an upswing along with the Inland Empire. However, unlike previous recovering economies, housing growth was slower to comeback in the Inland Empire area. The slowing of sales in the past six months appears to be due to higher prices, rather than low demand. In conclusion, the County is expected to continue to grow in population due to its Southern California location, the availability of land and the relatively lower land prices in comparison to adjacent Orange, Los Angeles and San Diego Counties.

## MURRIETA AND SURROUNDING AREA MAP



## CITY OF MURRIETA DESCRIPTION

The subject property is located in the southernmost portion of the City of Murrieta (“City”). Murrieta is located approximately 30 miles southeast of downtown Riverside. As of January 1, 2018, the City has an estimated population of 113,541, which is a 1.6 percent increase from January 2017. Since the year 2000 Murrieta has experienced over a 100 percent population increase making it one of the fastest growing cities in Riverside County as well as the state of California. This growth is partially due to a significant annexation of unincorporated areas into the City. Murrieta is known as a commuter city due to its ideal location with respect to the I-15 and the I-215 freeways as well as its proximity to San Diego, Los Angeles and Orange Counties.

Murrieta straddles the I-15 and I-215, is located north of the city of Temecula and south of the cities of Menifee and Wildomar with unincorporated area to the east and west. The City contains 34 square miles of land with Mediterranean climate. Murrieta averages 15 inches of precipitation annually that occurs mainly in light rainfall but can have an occasional thunderstorm.

### **History**

In 1873, the Murrieta Family purchased 52,000 acres that reminded them of their homeland in Spain. In 1882, the Southern California Railroad laid tracks through the area and a boom started with the population reaching 800 by 1890. One of the main draws to the area was the natural springs in what is now known as the Murrieta Hot Springs Resort. In 1935, the trains stopped and the boom went bust with the calm lasting for about 50 years with the population topping out at 2,200. This remained stable until the I-15 was extended through the valley, providing easy access to affordable housing for the surrounding counties of San Diego, Orange and Los Angeles. The City of Murrieta was incorporated on July 1, 1991 with a population of 24,000, most of whom had moved to the area within the previous five years.

## **Population**

The City has enjoyed phenomenal growth for more than a decade, having quadrupled in population since incorporation. Since 1992, the City of Murrieta has grown at an unprecedented rate compared to Riverside County. However, the City's rate of growth has slowed and as of January 1, 2018, the growth rate of 1.6 percent is slightly higher than the County's population growth rate of 1.4 percent over the past year. From 1992 to 2000 the City's population increased from 24,334 to 44,282 and from 2000 to 2012 it increased from 44,282 to 104,985 as the City annexed in the unincorporated area formerly known as Murrieta Hot Springs. The City has worked to put together a redevelopment plan that promises to shape private and public development in the City for the next twenty-five years. According to the City's website, the population has a very diverse racial make-up with the median age estimated at 34.2 years old. Twenty-nine percent of the population has a Bachelor's degree or higher education. The City was recently recognized as the safest city in the nation for cities of over 100,000 residents in terms of violent crime.

## **Economy**

The 2016 estimated average household income, according to the 2017 Kosmot report (murrietaca.gov), was \$99,601 for the City as compared to \$79,653 for the County and \$90,812 for the State. According to the City of Murrieta 2017 Comprehensive Annual Financial Report, the top employers in the City were as reported below:

### **Summary of Major Employers**

<b><u>Employer</u></b>	<b><u>No. of Employees</u></b>
Murrieta Valley Unified School District	2,265
Southwest Healthcare System	1,474
Loma Linda Univ. Medical	929
County of Riverside	375
Oak Grove Institute	350
Target	330
City of Murrieta	315
Walmart	309
Home Depot	200
Sam's Club	200

The City was originally known as a commuter city with most of the residents working outside of Murrieta, however businesses are now finding the community growing larger by the day with above average household incomes, a skilled labor force and a business-friendly City Hall. Housing costs within the City are more reasonable than the adjacent city of Temecula or neighboring cities in north San Diego County. Murrieta is also known as one of the safest cities in Riverside County enhancing its appeal to homebuyers.

### **Transportation**

Interstate 215 divides the eastern portion of the City while Interstate 15 generally serves the western portion. California State Route 79 is a major commercial corridor that defines much of Murrieta's eastern border and extends into Temecula to the south. The nearest major intersection to the subject property is at I-215 and Murrieta Hot Springs Road, a main arterial throughout the City. Murrieta Hot Springs Road has on/off ramps to both I-15 and I-215. The unincorporated area of the French Valley is located to the north and east of Murrieta and houses a general aviation airport, one of the largest in southwest Riverside County.

### **Conclusion**

In summary, the City of Murrieta experienced phenomenal growth, partially due to annexations, over the past two decades. The location provides easy access to the Los Angeles, Orange County and San Diego markets. The City has a highly educated work force and a higher average household income than most cities in Riverside County. The City's distinguished schools, abundant recreation, expanding employment opportunities, business friendly economic development, location and reasonable land prices combined with the availability of land for development all contribute to make the City a prime area for future growth.

## IMMEDIATE SURROUNDINGS

Ventana at Creekside Village is located in the southern portion of Murrieta, and is generally bound by Whitewood Road to the northwest, Murrieta Hot Springs Road to the northeast, Isaac Street to the southwest, and open space to the southeast. The surrounding neighborhood is generally made up of single-family residences, some service commercial in addition to some open vacant lands which house Warm Springs Creek.

The subject property is within a neighborhood that was largely built out in the early 2000's. Like the subject, these homes were a part of the Creekside Village Specific Plan. The lands adjacent to the southwest is a newer home community by Lennar, called Arroyo Vista. They were developed in 2015/16 and are not affiliated with the subject, despite their adjacency. Between Arroyo Vista and the subject is the Creekside Village Green park, a local neighborhood park with a playground, covered barbeque tables, a basketball court and a grassy area. Across Murrieta Hot Springs Road is Firefighter's Park, a larger neighborhood park and the Murrieta Fire Station No. 3. To the east and southeast of the subject is open space for Warm Springs Creek which gives way to more detached home development, most of which was built in the early 2000's.

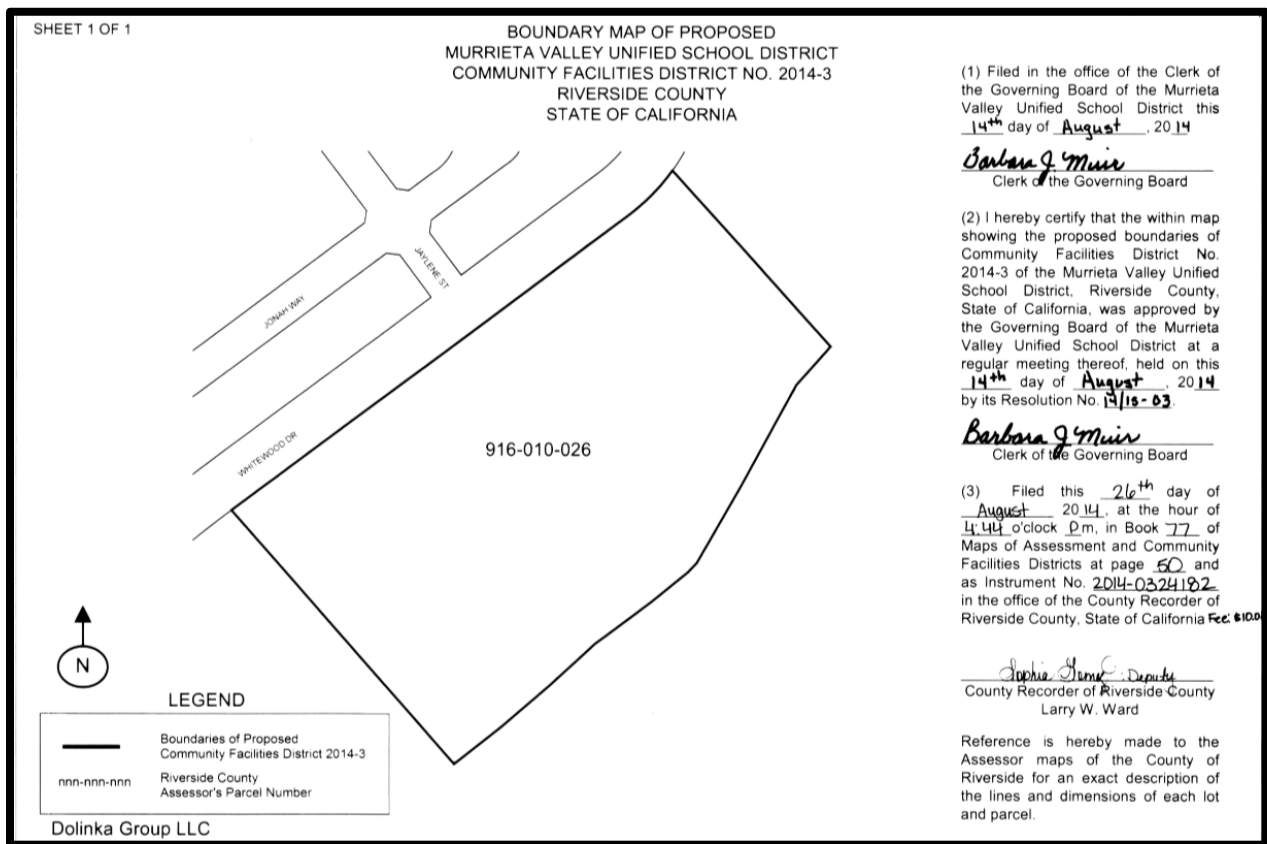
The closest shopping is available within a quarter mile of the subject property at the southwest corner of Murrieta Hot Springs Road and Jackson Avenue, just east of I-215. The center is known as Bella Piazza and is anchored by a Walgreens, Dick's Sporting Goods, Sam's Club, and 24-Hour Fitness. The shopping center also includes a gas station, two credit unions, a Harbor Freight Tools, and a multitude of dining options. Restaurants include The Hat, Buffalo Wild Wings, The Habit Bar and Grill, El Pollo Loco, Yogurt Land, Flame Broiler, and a Wendy's. Additional shopping is available just across the street on the northern side of Murrieta Hot Springs Road at Murrieta Town Center, anchored by Ross Dress for Less, Marshalls, Burlington Coat Factory, and Rite Aid.



Access is considered to be good with on/off ramps to I-215 approximately one-half mile west at Murrieta Hot Springs Road. The subject property is served by Alta Murrieta Elementary School (located one mile north of the subject property), Warm Springs Middle School (located two miles east of the subject property) and Vista Murrieta High School (located three miles north of the subject property).

**CITY OF MURRIETA COMMUNITY FACILITIES DIST. NO. 2014-3**

A Resolution of Intention adopted by the Board of the Murrieta Valley Unified School District (“MVUSD”) established Community Facilities District No. 2014-3 (the “District”) on August 14, 2014 and ordered a CFD Report to be prepared. According to the CFD Report dated February 10, 2015, the District contains 10.96 acres proposed for 84 homes (adjusted to 83 at time of final mapping). The MVUSD CFD No. 2014-3 Boundary Map is shown below.



The District has a not to exceed amount of \$3,000,000 per the CFD Report. At time of the CFD Report, a Joint Community Facilities Agreement (“JCFA”) was approved between the Murrieta Valley Unified School District and the Eastern Municipal Water District (“EMWD”). The authorized public facilities per the CFD Report include:

1. School Facilities – A School Facilities Mitigation Agreement was entered into by and between MVUSD and the previous owner which outlines how CFD No. 2014-3 will finance the acquisition/construction of public-school facilities that will directly or indirectly serve the anticipated development within MVUSD CFD No. 2014-3.
2. Water and Sewer Facilities – At the time of the report the JCFA outlined the terms by which CFD No. 2014-3 will finance facilities of EMWD.

Per the latest Sources and Uses of Funds dated October 16, 2018, the Bond Par Amount for the MVUSD CFD No. 2014-3 Special Tax Bonds is estimated at \$2,040,000 with Project Fund Deposits of \$886,120 for the MVUSD mitigation payment and \$881,120 in EMWD fees, \$133,250 in the reserve fund and \$265,800 in costs of issuance and underwriter's discount (all amounts subject to change).

## SUBJECT PROPERTY DESCRIPTION

The subject property consists of 83 homes being developed by Woodside Homes and is known as Ventana at Creekside Village. Of the 83 total homes, 79 have sold with 72 closed to individuals. Below is a description of the property.



**Location:** Ventana at Creekside Village is located along the south side of Whitewood Road between Isaac Street and Murrieta Hot Springs Road, east of Whitewood Road, City of Murrieta, Riverside County.

**Legal Property Description:** Lots 1-7, and A-F of Tract No. 36496, in the City of Murrieta, County of Riverside, State of California.

**Property Owner:** Woodside 05S, LP (an entity of Woodside Homes) as to Lots 1-11. Individual owners as to Lots 12-83.

**Assessors Parcel Nos.:** The Original Assessor's Parcel Number for Tract 36496 was 916-010-026 which changed to APN's 916-721-01, 06, 07, 08, 11, 12, 18, 28, 38, 49 and 60 with APN's 916-721-07 and 08 being open space areas. We have also reviewed Sheet 2 of APN 916-721 which divides 916-721-12, 18, 28 and 38 into 34 condominium lots. It appears the Assessor's Office is behind on posting the new Assessor's Map.

**Property Taxes:** We have reviewed the 2018/2019 property tax invoice on a sample house within the subject property. The APN No. is 916-721-019 which is known as Lot 33 of the Ventana at Creekside Village community. Per the County of Riverside Tax Assessor's Office, this sample parcel has an assessed value of \$399,364 with total taxes and special assessments of \$6,978.40 annually. Included in this amount is General Purpose taxes of \$4,537.40, MVUSD CFD 2014-3 special assessment of \$1,971.68, a City of Murrieta Lighting and Landscape Maintenance special assessment of \$335.64 and miscellaneous charges of \$133.68. Based on the assessed value, the overall tax rate is 1.747 percent.

**Three-Year Sales History:** Woodside 05S, LP, a California limited partnership (a related entity to Woodside Homes) purchased Tract 36496 from Whitewood 10 Acres LP, a California limited partnership on May 15th, 2015. The property was in a physically unimproved condition at time of sale however had been mass graded several years before. The sale price has been retained in our files for confidentiality purposes. There was a profit participation agreement recorded with the sale of the property. Within Tract 36496, 72 lots have closed escrow to individuals between August 24, 2017 and September 28, 2018.

**Size and Shape:** Tract Map No. 36496 is roughly rectangular in shape and contains a total of 10.69 gross acres, which includes some open space. The net acreage for the 83 detached condominiums per Recorded Tract Map No. 36496 is 7.58 acres.

**Zoning:** The subject property is designated MF-2 (Multi-Family 2, Residential) per the City of Murrieta Land Use Plan which allows for a density between 15.1 and 15.0 dwelling units per acre. Per the City of Murrieta Zoning Map the subject property is shown as part of the Creekside Village Specific Plan. The original Creekside Village Specific Plan covered 145 acres and called for a maximum of 754 homes. This included four alternatives that varied in plan and unit number. In several of the alternatives, the subject was to be an elementary school site. In the final plan that was approved, the elementary school was located elsewhere and there was a total maximum of 390 units. Per the August 2003 version of the Creekside Village Specific Plan, the subject is in the "Terraces Neighborhood."

**Entitlements:** Tract Map No. 36496 recorded on July 6, 2017 and divided the property into 10 numbered and lettered lots. Condo plans then divided the 10 lots into 83 detached condo lots. The approved mapping appears consistent with the allowed zoning.

**Topography:** The site is relatively flat, gently sloping to the northeast with elevations ranging from a high of approximately 1,097 feet above sea

level located in the southwestern edge of the property to a low elevation of approximately 1,089 feet along the northeastern edge of the property.

**Soils Condition:** We have reviewed the Update Geotechnical Report of Creekside prepared by Leighton and Associates, Inc. of Temecula, which covers the subject and is dated February 27, 2015. The report concludes that from a geotechnical engineering and geologic standpoint, the proposed development of 83 homes is acceptable provided the recommendations presented in the report were incorporated into the design and implemented during grading and construction of the homes. The recommendations appear typical and normal for the area. It should be noted, however, that the appraiser does not have expertise in the field of geotechnical issues and we refer to the report if further guidance is needed.

It is an assumption of this report that the soils are adequate to support the highest and best use conclusion and that all recommendations made within all reports were adhered to during construction. This is evidenced by City inspectors on site throughout construction as well as Certificates of Occupancy permits being obtained on the majority of the subject property.

**Seismic Information:** Per Riverside County the subject property is not located in a fault zone and is not located within one-half mile of a fault.

**Environmental Concerns:** We have not received a Phase I Environmental Site Assessment for review. It is an assumption of this report that the subject property is free and clear of any environmental issues which would slow or thwart development of the site and that all recommendations contained in any such reports were adhered to. This is suggested by (1) the developer obtaining all required construction permits and (2) City inspectors on site throughout construction as well as Certificate of Occupancy permits being obtained.

**Flood Information:** Per FEMA the subject property is shown on Map 06065C2720G which became effective August 28, 2008. Per the map the subject site appears to be outside of the flood area and within Zone X , "Areas of Minimal Flood Hazard".

**Easements and Encumbrances:** We have reviewed a Preliminary Title Report on the subject property dated November 3, 2015 prepared by FNTG Builder Services as Order No. 996-23072624-EH1 prior to the subdivision guarantee. The exceptions are as follows:

Item Nos. A, B, C and D pertain to property taxes, CFD No. 2003-3, CFD 2014-3 (subject CFD) and possible supplemental taxes. Per the

City of Murrieta, while CFD 2003-3 covers the majority of Creekside Village, it does not include the subject site which was originally slated for a school site and was not included in CFD 2003-3's notice of special tax lien. Item No. 1 refers to water rights. Item No. 2 is in regards to the property being within a City of Murrieta Redevelopment Project Area recorded in 1994. Item No. 3 refers to an EMWD sewer and road easement. Item No. 4 relates to open space/detention basin/park lot easement and cooperation agreement. Item No. 5 pertains to reciprocal easement agreement with adjoining homes. Item No. 6 is in regards to the School Facilities Mitigation Agreement recorded on the property. Item No. 7 pertains to a profit participation agreement between Woodside and the seller.

It is an assumption of this appraisal report that the Tract 36496 lands are free and clear of any liens and/or encumbrances other than MVUSD CFD No. 2014-3.

Utilities: All normal utilities serve the subject property by the following companies:

Electrical:	Southern California Edison Company
Natural Gas:	The Gas Company
Sewer/Water:	Eastern Municipal Water District
Data/Phone:	Verizon/Frontier
Schools:	Murrieta Valley Unified School District

Streets/Access: Access to the subject property is convenient via I-15 or I-215 to Murrieta Hot Springs Road, east one-half or one-quarter mile to Whitewood Road and 500 feet south to enter the subject property at Abigail Avenue.

I-15 is a major north/south freeway. I-15 provides international access both to Mexico to the south and Canada to the north.

I-215 is a major north/south freeway in the Inland Empire. I-215 is a main access into the City of Murrieta from the north and south.

Murrieta Hot Springs Road has on/off ramps at I-215 and I-15 and provides access to southeast and southwest portions of the City of Murrieta. There is a commercial center at the northeast corner of Murrieta Hot Springs Road and the I-215 known as Murrieta Town Center.

Whitewood Road is a major surface street that runs from Murrieta Hot Springs Road north into the City of Menifee. As Creekside Village was developed, Whitewood Road extended south of Murrieta Hot Springs Road providing access into Creekside Village. Whitewood Road is proposed to continue to the south and a realignment area

along the northwest side of the subject site has been deeded to the City for this realignment purpose.

Internal Streets within Tract 36496 include Abigail Avenue, Calle Real, and Chloe Place.

**Current Condition:** Within Tract 36496, all of the 83 homes are either completed and closed to individuals, or at least 95% complete. Of the 83, seven production houses are 95 percent or more complete (all of which are in escrow), four are completed model homes (all available for sale) and the remaining 72 are completed houses closed to individuals.

**Home Owner**

**Association:** There is a community HOA (Home Owner Association) that maintains the community park and common areas. The monthly association dues are \$105 dollars per month.

**Costs to Complete:** Per Woodside Homes the remaining development costs include the final lift of the streets and monumentation with a remaining cost estimate of \$120,000. These costs appear to be reasonable per our physical inspection.

There are 11 lots currently owned by Woodside. The individual owners are not responsible for any of the remaining development costs. For purposes of this analysis, we are assuming the remaining costs of \$120,000 are spread evenly over the 11 builder-owned lots. These costs will be taken into consideration within the builder-owned home discounted cash flow analysis later in this report.

**Improvement  
Description:**

Woodside Homes is developing and selling a detached condominium neighborhood of 83 homes arranged in a courtyard (generally three to six-plex) style. The community is known as Ventana at Creekside Village and is part of the Creekside Village Specific Plan. The homes' architectural styles include Adobe Ranch, Spanish Revival, Italianate and Traditional influences. All of the home exteriors include concrete tile roofing, dual glazed vinyl windows, fully dry-walled 2-car direct access garages with roll up sectional insulated garage doors, rain gutters, vinyl privacy side yard fencing, gas stubs for barbecue in rear yards, and 8-foot insulated fiberglass entry doors. Green features include a solar package (purchase or lease program), tankless water heaters, low flow faucets and toilets, insulation, fire sprinklers and drop zones with USB charging stations. Interiors include ceramic tile at entry, three-panel doors, rounded drywall corners, interior laundry rooms, MSI Quartz vanity tops, private water closet at master baths and soft maple cabinetry in laundry and baths. Gourmet kitchens include recessed can lights, maple cabinetry, eat-



in kitchen islands, stainless steel appliances, granite slab kitchen countertops and a recycling center integrated into kitchen cabinetry.

We have reviewed sales information from the builder which stated 72 lots have closed escrow to individuals between August 24, 2017 and September 28, 2018. Per Woodside Homes, actual sales prices ranged from \$364,242 to \$430,764. Per public record, there have been no re-sales and per both our review of the local Multiple Listing Service and our inspection there were no homes currently listed for re-sale. Asking prices within Ventana currently range from \$403,436 to \$456,287, however it should be noted that these prices only reflect model homes, as all production homes are either closed or in escrow. There are seven homes in escrow which are due to close upon completion, scheduled for November and December of this year.

<b>Plan</b>	<b>Room Count</b>	<b>Floors/ Parking</b>	<b>Sq. Ft.</b>	<b>Ind. Owned</b>	<b>Bldr. Owned</b>	<b>Total</b>
1	3 - 4 / 2.5	2 / 2	1,911	17	3*	20
2	3 - 4 / 2.5	2 / 2	2,151	14	1*	15
3	3 - 4 / 2.5	2 / 2	2,121	28	6*	34
4	3 - 4 / 3	2 / 2	2,377	13	1*	14
				<u>72</u>	<u>11</u>	<u>83</u>

\*One of each of these plans is a model home.

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## RIVERSIDE COUNTY HOUSING MARKET

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In analyzing the area's housing market, population growth and economic conditions need to first be considered.

### **Population**

The County population grew at a 1.4 percent increase over the past year. This compares to the 2.5 percent average annual percentage increase over the previous eighteen years. The slowdown in population growth is primarily due to the sluggish housing market which hasn't bounced back since the Great Recession. This slowdown is similar to other Southern California counties during this time period. Predictions are for the County to grow at an average annual rate of 1.4 percent over the next twelve years. This equates to an increase of approximately 35,000 residents per year suggesting the need for about 10,000 homes per year within the County, however current annual supply is in the 5,000-home range.

### **Economic Conditions**

Over the past twenty-five years the Inland Empire has seen various cycles in the housing market. The Great Recession impacted the Inland Empire significantly and resulted in a longer recovery period than in other areas of Southern California. The rise and then fall of housing prices in the Inland Empire between 2004 and 2009 was considerably steeper than almost anywhere in the state. Unfortunately, this meant that the people who bought near the peak of the market likely faced significant negative equity. After essentially remaining flat for a few years, housing prices began to increase in late 2012. The price appreciation in the housing market since then helped alleviate the negative equity situation in the Inland Empire.

Economic growth in the Inland Empire was strong between 2002 and 2007. Job losses occurred between 2007 and 2009, with a leveling out in 2010, a slight upturn in 2011, and general increases since that time. The unemployment rate for the MSA was 4.1 percent

in September 2018, significantly lower than the high of 15.1 percent in July 2010. The current rate is similar to both California's unemployment rate of 3.9 percent and slightly higher than the September 2018 National rate of 3.7 percent (according to the E.D.D. September 2018 California Employment Report dated 10/19/18).

The housing market was a significant factor in strengthening the impact of the Great Recession. Due to increased interest rates and rising home prices between June 2004 and mid-2006, the market reaction was to create non-conventional financing alternatives such as sub-prime and non-conventional mortgages to artificially maintain the boom housing market of 2004 and 2005. By 2007, the housing market saw a shake-up due to the problems in the sub-prime and non-conventional mortgage markets. In March 2007, the Federal Government initiated efforts to stop or limit sub-prime mortgages. Unfortunately, the damage had already been done with sub-prime mortgages playing a role in the 2008 shake out of Wall Street and contributing significantly to the U.S. economic downturn. Due to stricter income verification on new loans and the lack of available credit, coupled with job losses and declining home prices, sales of new homes slowed for the next few years. With the exception of a small increase in 2010, primarily due to government offered homebuyer credits, prices/sales essentially remained flat until mid-2012 when prices began a steady climb.

There were several factors adding to the past six years of price appreciation including limited supply and constrained lending. The main factor in prices rising is an imbalance in supply and demand. Near the bottom of this past real estate cycle it was not financially feasible to develop land and build a house in portions of Riverside County. Thus, land development slowed, significantly restricting supply. Home ownership across the U.S. saw a significant decline. Historically, since the 1970s, home ownership generally was between 64 and 66 percent until around 2000 when it began growing with a peak at 69.2 percent in fourth quarter 2004 prior to the Great Recession. After falling to a low of 62.9 percent in second quarter 2016 it has been climbing with the current rate at 64.2 percent. Riverside County has experienced a steep change in home sales volume over the past 18 years, however has remained pretty steady the past eight years. In 2001 the number

of monthly home sales in the County was between 3,500 and 4,000 homes. In 2006 the monthly sales number grew to between 5,500 and 6,000 homes. Since 2011 the number of monthly home sales in the County has generally been between 3,000 and 3,500 sales.

The December 2017 approval of the Tax Cuts and Job Act (“TCJA”) by the Federal Government is causing concern that home sales may slow once again. The two largest changes for homes owners are the limitation at \$10,000 for the deduction for state income tax and local taxes (“SALT”), along with a limitation on the mortgage deduction for loans that exceed \$750,000. While this amount does not affect most people looking to buy subject-type homes in the Inland Empire (generally in the \$350,000 to \$430,000 range), the SALT deduction may limit their tax deductions which could affect the more discretionary new-homebuyers in the market. It is still too early to tell how much the TCJA will actually affect the new home market, however it is thought that it won’t affect the Inland Empire as much as the California coastal cities where mortgages are generally larger due to higher home costs and therefore may be affected more.

Home loan mortgage rates were playing a large part in the housing market. The Federal Reserve Board had held mortgage rates at all-time lows after the Great Recession in an attempt to assist the housing market. Low rates appeared to help for quite a while however first-time buyers are now having a hard time entering the housing market. The Board had kept interest rates below historical averages dropping rates to zero in December 2008 until the December 2015 Board meeting when interest rates were raised one quarter of a percent. There have been seven subsequent one-quarter point increases with one additional increase anticipated by year-end. While the increases suggest the economy is expanding with robust growth nationally, the increases may be slowing home sales. At this time regular hikes are anticipated for the foreseeable future. The current quoted average U.S. rate for a 30-year fixed mortgage per FRED (Federal Reserve Economic Data) as of October 4, 2018 is 4.71 percent. This is up from an average of 3.99 percent over 2017 and 3.65 percent over 2016. These increases are putting pressure on homebuyers.

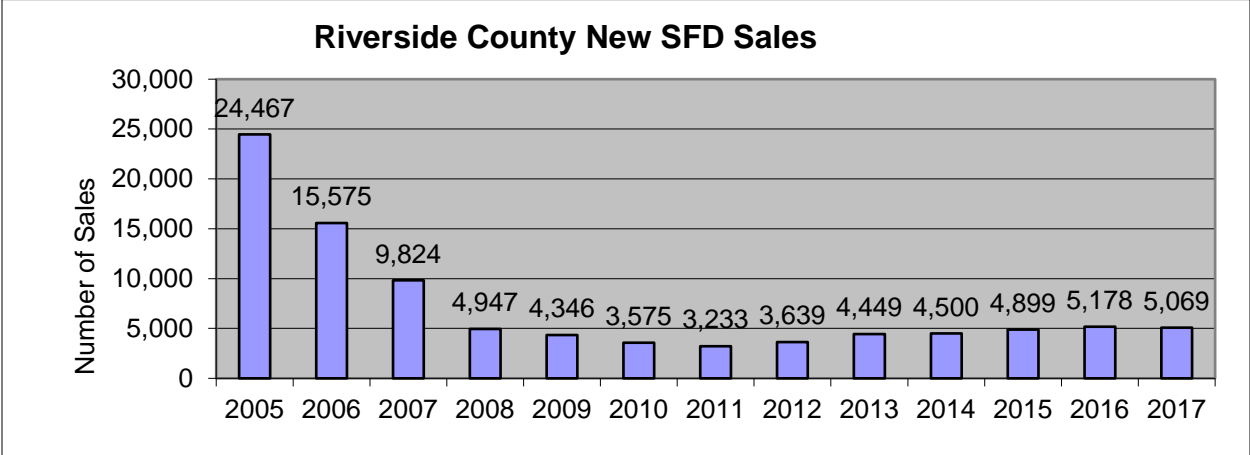
## **Residential Land Development**

While there had been little land development going on in most of the Inland Empire during the years 2008-2011, the second half of 2012 saw a resurgence. From 2013 to 2018, there has been a general incline in amount of actively selling projects and pricing, which prompted an increase in land development activity in 2016. The increase in housing prices coupled with the limited availability of supply has made land development feasible once again for homebuilders, however master plan developers are sparse. Currently there are no master plans supplying lots to home builders in Murrieta. Spencer's Crossing in the French Valley is still supplying lots to builders, along with Audie Murphy Ranch in Menifee, and Summerly in Lake Elsinore, while Canyon Hills in Lake Elsinore is generally built-out. Santa Rosa Highlands is a community of 270 proposed units in Murrieta which DR Horton recently purchased and has now opened four new neighborhoods. Promontory is being developed by Cornerstone with three currently selling projects and KB Home recently opened their Westpark community of 64 homes. All of these projects represent a rejuvenation of the Inland Empire's growth since the end of the recession. It is interesting to note that land developers of large specific plans which offer developed or partially developed lots to builders appear to be few and far between. The reason is thought to be two-fold: less profit for the middle developer due to higher land prices; and, the significant amount of red-tape to get a large-scale project approved in Southern California.

## **New Home Sales and Pricing**

We have researched new single-family homes within the subject real estate market in order to reflect residential trends. While overall new home sales in Riverside County were down 2.1 percent year over year (from 5,178 new home sales in 2016 to 5,069 sales in 2017), this slight downturn is not considered significant, as the general trend for new home sales in Riverside County, at the right price points, appears to be rising (per John Husing Quarterly Economic Report). In the second quarter of 2018 there were 1,356 new homes sales compared to 1,235 in the second quarter of 2017, an increase of 9.8 percent, however there was a decrease of 11.4 percent when comparing first quarter 2018 to first quarter 2017 new home sales (Per Husing's July Quarterly Economic Report, most recent available). It should be noted these sales numbers and prices pertain to new home sales

while later in this section we discuss existing home sales. Below is a graph showing Riverside County new home sales (both attached and detached single family residences) between 2005 and 2017. It is interesting to note that average annual home sales are still at a level that is approximately one-third of the average annual sales between 2005 and 2006. It is thought the downturn between 2016 and 2018 is due to limited availability rather than limited demand. Per John Husing, a Riverside area economist, through the second quarter of 2018 there were 2,408 new home sales in Riverside County as compared to 2,423 new home sales during the same period in 2017.

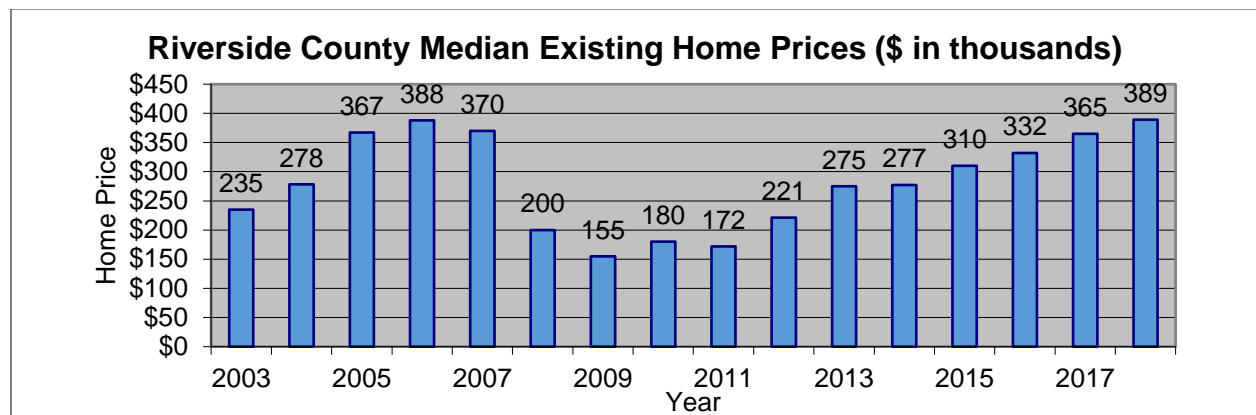


New single-family detached home pricing in Riverside County has also seen changes, however, not as drastic as the changes in sales numbers. The median new home price changed from \$437,200 in the third quarter of 2006 to \$275,000 in the first quarter of 2009 (decrease of 37 percent) while the current new home median price is \$453,451 per John Husing’s, second quarter 2018 information. This reflects an increase of almost 65 percent from the bottom of the cycle and an increase of 3.7 percent over the previous peak. New home sale prices typically fluctuate based on the land value more than the cost of building the home, however due to the global tariff discussion and recent inflation, costs of building supplies have risen significantly. While finishes and sizes of homes can change, the basic costs on a per square foot basis typically did not fluctuate as much as land values, however significant inflationary increases in construction costs have added to the appreciation in the past year.

One major cause of the slower sales of new homes in the area is thought to be the FHA Loan Limits. During the recession, the FHA Loan Limits were increased in order to make financing via the Federal Housing Authority easier. However, in January 2015 the FHA loan limits were reduced in Riverside County to \$356,500. The 2018 FHA Loan Limits within Riverside County increased to a single-family home limit at \$405,950. This is a step in the right direction from the 2015 limit, but still not completely in tune with the Riverside County housing market. A three percent down payment (minimum allowed with FHA financing) suggests the maximum price paid for a home purchased through FHA financing would be in the \$418,000 range. With the Inland Empire’s second quarter 2018 median new home price at \$453,451, it is obvious that there is a slight disconnect. The subject property featured base prices from \$352,990 to \$401,990, all of which fall within FHA loan limits. Within Riverside County the current median home price (including both new and resale homes) is \$390,000 (within the FHA home loan limits), which reflects an increase of 8.1 percent from one year prior (CoreLogic). Our search for comparable new home projects within the competitive market area resulted in seven new projects (in addition to the subject property) with pricing generally ranging from \$330,000s to the \$440,000s. It is interesting to note that the lowest price comparable has the highest absorption rate suggesting that price points are significant in today’s new home market in Murrieta.

**Existing Home Sales and Pricing**

The median existing detached home price in Riverside County of \$389,000 (as of September 2018, released on 10/22/18 by CoreLogic) is up over 100 percent from the low in second quarter 2009 (\$155,100) and up 8.3 percent from the previous year. It should be noted that this is the first time the Riverside County median existing home price has surpassed the median price at the peak in 2006 (\$388,000).



According to CoreLogic, within Southern California (Los Angeles, Riverside, San Diego, Ventura, San Bernardino and Orange counties), the median price paid for a home (both new and existing) in September 2018 (\$523,000) is up 3.6 percent year over year from \$505,000 in September 2017, but down -2.2 percent over the previous month (\$535,000). The current median existing home price in overall Southern California is above the peak in mid-2007 when the median price was \$505,000 and up more than 100 percent from the low point of the cycle which was a \$247,000 median price in April 2009. Home sales in Southern California were down 17.7 percent overall in Southern California in September 2018 based on a year-over-year change, and down 21.9 percent from the previous month. Shown below is a table comparing September 2017 to September 2018 for both new and existing home sales and pricing in Southern California by county and for Southern California as a whole. Sales numbers are still below historical numbers however this is due to fewer homes for sale and higher prices rather than fewer buyers on the market. This limited supply is putting pressure on prices which is seen in the table below.

<b>Southern California (New and Resale) Home Sales</b>						
<b>County</b>	<b>No. Sold Sept. 17</b>	<b>No. Sold Sept. 18</b>	<b>Percent Change</b>	<b>Median Sept. 17</b>	<b>Median Sept. 18</b>	<b>Percent Change</b>
Los Angeles	6,964	5,621	-19.3%	\$575,000	\$595,000	3.5%
Orange	3,344	2,555	-23.6%	\$710,000	\$740,000	4.2%
Riverside	3,476	3,125	-10.1%	\$360,000	\$389,000	8.1%
San Bernardino	2,853	2,385	-16.4%	\$325,000	\$330,000	1.5%
San Diego	3,568	2,942	-17.5%	\$535,000	\$575,000	7.5%
Ventura	895	741	-17.2%	\$550,000	\$590,000	7.3%
<b>SoCal</b>	<b>21,100</b>	<b>17,369</b>	<b>-17.7%</b>	<b>\$505,000</b>	<b>\$523,000</b>	<b>3.6%</b>

Source: CoreLogic September 2018 Data Brief (most recent Data Brief)

Based on the September 2018 median new and existing homes prices, in comparison to the majority of the surrounding counties, Riverside County has a definite price advantage. The “Riverside County Advantage” (price difference between Riverside and surrounding counties) is \$186,000 as compared to San Diego County, \$201,000 as compared to Ventura County, \$206,000 as compared to Los Angeles County, and \$351,000 as compared to Orange County. That is, in September 2018, the median priced home in Riverside County was \$351,000 less (or over 47 percent less) than the median priced home in Orange County (\$740,000). However, San Bernardino County has a \$59,000



price advantage over Riverside County. As the price advantage widens, homebuyers are more open to commuting to further out areas.

Both comparing annually and on a month over month comparison, there has been a significant decrease in new home sales. The annual comparison shows a steady increase in pricing, while the month to month shows a slight decrease. Looking at the annual comparison, Riverside County's drop in sales is less than its surrounding SoCal counties. Riverside's 10.1 percent decline in sales is milder than the Sothern California average of a 17.7 percent decline.

In a separate attempt to capture the change in home prices, the resale activity of existing homes in the subject area (per CoreLogic) has been reviewed. The number of sales and sale prices of existing homes within market areas in the immediate area of the subject are shown in the table below.

Community Name	Zip Code	Border To Subject	Sales of SFD Homes Sept. 2018	Sept. 2018 Price Median SFR	Sept. 2018 PSF Median SFR	Price % Change from Sept. 2017
Murrieta	92563	Subject	85	\$430,000	\$182	4.6%
Murrieta	92562	Southwest	89	\$437,000	\$201	4.6%
Temecula	92590	Southwest	1	\$1,318,000	\$388	13.3%
Temecula	92591	South	60	\$461,000	\$208	7.2%
Temecula	92592	Southeast	90	\$490,000	\$211	7.7%
Wildomar	92595	West	31	\$410,000	\$176	8.0%
Menifee	92584	North	73	\$385,000	\$183	6.1%
Winchester	92596	East	39	\$418,000	\$158	3.6%

Source: CoreLogic Southern California Home Resale Activity September 2018

The median home price of an existing detached home in the subject's zip code is \$430,000 within the range of the surrounding area and above the Riverside County median average in September 2018 of \$389,000. The above price increases relate to CoreLogic's overall Riverside County increase of 8.1 percent year over year for detached existing homes from September 2017 to September 2018.

### **Ventana Sales and Pricing**

Ventana began sales in March of 2017 with the first closing occurring in August of 2017. There has been a total of 78 sales with 72 closed to date (as of November 5, 2018). The sales rate equates to an overall average of 3.9 sales per month. This is considered strong

for the subject market. Per Woodside Homes, actual sales prices ranged from \$364,242 to \$430,764. When comparing base pricing from project inception there appears to have been increases in the four to five percent range. Our search for competitive new home neighborhoods resulted in seven active single-family detached or duplex new home projects (including the subject property) which are listed in the Addenda.

### **Summary**

Riverside County has seen a substantial increase in pricing since 2012 with mid-2016 through mid-2018 showing some double-digit increases. The slowing sales numbers however, appear to be slowing the appreciation. The Murrieta new home market is performing well, resulting in above average to good sales rates within the comparable projects in the area, generally with higher absorption rates in the lower priced new home projects. Murrieta has seen an increase in pricing consistent with most of Southern California over the past year. While loans can be difficult to obtain, rates, while rising are still near historical lows. It is generally thought the new tax laws are keeping some buyers on the sidelines. Despite some uncertainty still clouding the current housing market, most observers agree that the Riverside County housing market is still gaining strength and healthy population growth is occurring in the County. It is believed that as population continues to increase, housing growth will also continue.

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## HIGHEST AND BEST USE ANALYSIS

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The highest and best use is a basic concept in real estate valuation due to the fact that it represents the underlying premise (i.e., land use) upon which the estimate of value is based. In this report, the highest and best use is defined as:

*"the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value"*<sup>5</sup>

Proper application of this analysis requires the subject properties to first be considered "As If Vacant" in order to identify the "ideal" improvements in terms of use, size and timing of development. The existing improvements (if any) are then compared to the "ideal" improvements to determine if the use should be continued, altered or demolished preparatory to redevelopment of the site with a more productive or ideal use.

### **"As If Vacant"**

In the following analysis, we have considered the sites probable uses, or those uses which are physically possible; the legality of use, or those uses which are allowed by zoning or deed restrictions; the financially feasible uses, or those uses which generate a positive return on investment; and the maximally productive uses, or those probable permissible uses which combine to give the owner of the land the highest net return on value in the foreseeable future.

### **Physically Possible Uses**

The subject property consists of a recorded tract of land which totals 10.69 acres. The property is located in the southern portion of the City of Murrieta in Riverside County. Immediately north and west of the subject property is the built-out portion of the master planned community of Creekside Village which was built out in the early 2000s with

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<sup>5</sup> The Appraisal of Real Estate, 11<sup>th</sup> Edition

single-family residences. The property is one parcel south of Murrieta Hot Springs Road, a major arterial providing access through the City. The site was graded to a generally level super-pad at time of the development of the adjoining lands to the north in the 2000s. The eastern border of the site is the Warm Springs Creek Preserve, a creek-bed which is an open space area remaining in natural habitat. We have not reviewed a Phase I Environmental Report; however, it is an assumption of this report that all Environmental issues were mitigated due to the grading completed on the site with City Officials on site for approvals. At time of the original grading, it appears the site was elevated to be outside of the flood zone due to the creek-bed immediately to the east. We have reviewed the FEMA Flood Zone Map and the site appears to be outside of any flood hazard area. We have reviewed a Geotechnical Report that covers the subject property which concluded that the subject property was feasible for the proposed residential development. It is an assumption of this report that the soils are adequate to support the highest and best use conclusion and that there are no environmental issues which would slow or thwart development of the site. This is suggested by City approvals along with City inspectors on site during construction.

An engineered drainage system appears to have been designed into a street drainage system to alleviate any potential flooding problems and to control project water runoff. The site has been graded to accommodate 83 single family detached homes, in a cluster format with shared driveways. All standard utilities are available to serve the subject property. The site has good access via I-15 or I-215 to Murrieta Hot Springs Road. From the two offramps, head east less than one mile to the subject site. The site is located near neighborhood shopping, good schools and public parks.

Based on the physical analysis, the size, access and topography make the subject property physically suited for numerous types of development; however, the grading and development that has occurred on the site suggests detached residential use.

### **Legality of Use**

The subject property is located within the incorporated City of Murrieta in the County of Riverside. Per the City the subject property is designated as SP (Specific Plan) and per the Creekside Village Specific Plan the subject property and additional lands are designated for up to 754 residential units. Tract Map 36496 divides the subject parcel into ten lots, which are further divided by Condominium plans into 83 detached condominium lots. This tract map and all condo maps have all been recorded. The approved mapping appears to be consistent with the current Specific Plan, General Plan and Zoning Map on the property. Based on the legality of use analysis, the type of development for which the subject properties can be utilized is narrowed to residential use. This is consistent with the findings of the physically possible uses.

### **Feasibility of Development**

The third and fourth considerations in the highest and best use analysis are economic in nature, i.e., the use that can be expected to be most profitable. As discussed under the Riverside County Housing Market section earlier within this report, the Murrieta market showed good absorption and increases in pricing over the past six years. Within MVUSD CFD No. 2014-3, 83 proposed homes are being marketed by Woodside Homes which includes 72 homes closed to individuals and an additional seven homes in escrow and due to close at completion in the next 60 days. All structures appear to be in excellent condition with no physical depreciation apparent. Within the subject property, all of the 83 homes are over 95 percent complete.

Within the new home market in Murrieta, home prices that had fallen during the Great Recession over 50 percent increased significantly in the past six years. While sales numbers have stabilized, they are below historical averages. Population growth is occurring in the area and will continue to create the need for housing. This is evidenced by over ten new housing developments currently selling with good absorption rates in Murrieta market area.

Based on the above analysis the highest and best use for the subject property appears to be for single-family residential development.

### **Maximum Productivity**

The current housing market is giving some mixed messages. While population is still growing, home sales are still below averages and prices are rising. High prices, limited financing choices and limited credit availability are making it hard for first time buyers to enter the housing market. One benefit the subject property has is that the sales prices are generally under the FHA loan limits allowing for first time buyers to possibly obtain a three percent down loan. The population growth and low interest rates point to demand for new housing in the subject area with upward pressure still being placed on prices. Based on the current active projects in the area coupled with population growth projected in the subject marketplace, it is our opinion that the subject property is feasible for detached residential development at the right price points.

### **Highest and Best Use Conclusion – “As If Vacant”**

The final determinant of highest and best use, as vacant, is the interaction of the previously discussed factors (i.e., physical, legal, financial feasibility and maximum productivity considerations). Based upon the foregoing analysis, it is our opinion that the highest and best use for the subject property “As if Vacant” is for residential development.

### **Highest and Best Use – “As Improved”**

The subject property consists of Ventana at Creekside Village by Woodside Homes. Ventana include 83 lots with 79 homes sold to date (both closed and in escrow). Home prices range from \$364,242 to \$430,764. The first sale occurred in March 2017 suggesting a sales rate of 3.9 sales per month. The sales rate is considered to be good in the current market. Our search of the local MLS revealed there have been no resales or current listings within the subject property. The homes appear in excellent condition with no physical depreciation of structures visually apparent. The sales rates and new home development which has occurred within the competitive projects in the

immediate area suggests there is demand for new homes in the current market with current financing rates. All of the homes are of good design and appear to be of good quality workmanship. Based on Ventana's sales rate coupled with the activity in the Murrieta market area, it is our conclusion that the highest and best use for the subject property is for the continued use, as improved.

## VALUATION ANALYSIS AND CONCLUSIONS

The Sales Comparison Approach will be used to value the subject property. This approach compares similar properties that have recently sold or are in escrow. In determining the value for the property, a unit of comparison needs to be addressed. In the case of the existing home valuations, a single new-home sale is the unit of comparison. Our search will include new home projects with a similar sized lot and home within the subject market area which includes Murrieta, Temecula and Lake Elsinore. In determining the value for each unit, a base value will be concluded for each plan which will be considered a minimum market value as most buyers typically purchase some premiums, upgrades or options which increase the price of the home.

The valuation will be presented as follows. First the completed (over 95 percent complete) builder owned models and production units will be valued using the Sales Comparison Approach to value to conclude on a retail value for each plan, followed by the Discounted Cash Flow ("DCF") Analysis due to the single ownership. The DCF will take into account the fair market value to the completed homes (utilizing the Sales Comparison Approach), remaining development costs, the marketing and carrying costs associated with selling off the homes, a profit due to the developer of the homes, and a discount rate reflecting both the risk associated with selling off the homes with the time value of money during the estimated absorption period. In the case of the individually owned homes, a base value will be concluded for each plan and a mass appraisal technique including statistical testing will be addressed. All of the value conclusions will take into consideration the benefits funded by the MVUSD CFD No. 2014-3 Special Tax Bonds and their lien. A summary of the value conclusions will be reported at the end of this section.

### **House Valuation Analysis**

Within Ventana at Creekside Village there are 72 homes completed and closed to individual homeowners and 11 houses over 95 percent complete (including the four model homes). The builder owned houses will be valued first followed by a valuation for the individually owned homes.



Below is a summary of the various floor plans within Ventana at Creekside Village followed by a valuation analysis of each plan within each project.

Plan	Room Count	Floors/ Parking	Sq. Ft.	Ind. Owned	Bldr. Owned	Total
Ventana						
1	3 / 2.5	2 / 2	1,911	17	3*	20
2	3 / 2.5	2 / 2	2,151	14	1*	15
3	3 / 2.5	2 / 2	2,121	28	6*	34
4	3 / 3	2 / 2	2,377	13	1*	14
				<u>72</u>	<u>11</u>	<u>83</u>

\*One of each of these plans is a model home

We have searched the area and found the seven projects (including the subject) summarized in the Addenda to be most comparable. A listing of the improved residential comparable properties is located in the Addenda of this report.

The most appropriate new home comparables for Ventana Plan 1 are:

Data	Plan	Rm. Ct.	Firs/Pkg.	Sq.Ft.	Price/SF
Subj. 1	1	3 / 2.5	2 / 2	1,911	--
Subj. 1	2	4 / 2.5	2 / 2	2,151	\$176.18
Subj. 1	3	4 / 2.5	2 / 2	2,121	\$176.32
2	3	4 / 3	2 / 2	1,865	\$215.54
3	3	3 / 2.5	2 / 2	1,974	\$214.78
4	2	3 / 2.5	2 / 2	1,880	\$200.52
5	1	3 / 2.5	2 / 2	1,986	\$211.59
6	3	4 / 3	2 / 2	1,895	\$192.60

All new home comparables are located within Murrieta, Temecula or Lake Elsinore. All are of similar quality, design, and appeal. Adjustments were considered (when applicable) for location, lot size, density, stories, sales concessions, CFD taxes, common area benefits, school district, total square footage, room count, garage space, and other amenities. The comparable new home sales have a base price ranging from \$176.18 - \$215.54 per square foot. The highest price per square foot refers to the smallest sized home, which typically sells for a higher price per square foot. That is, larger homes enjoy a cost savings due to efficiency on a per square foot basis. Data No. 3 is located in Temecula, a superior location, and Data No. 6 is located in Lake Elsinore, an inferior location. Ventana Plan 1 has an asking price less concessions of \$189.42 per square

foot. Actual sales prices for Plan 1 range from \$190.60 to \$218.63 per square foot. There are two current escrows of Plan 1 ranging from \$196.92 to \$205.93 per square foot. The reported sales and escrow prices include premiums and options purchased by the buyer as well as any concessions given by the builder.

The homes appear to be in excellent condition with no physical depreciation visible. It has been concluded that Plan 1 has a base current market value of \$189 per square foot. This calculates as follows:

$$1,911 \text{ sf} \times \$189.00 = \$361,179$$

The most appropriate new home comparables for Ventana Plan 2 are:

Data	Plan	Rm. Ct.	Flrs/Pkg.	Sq.Ft	Price/SF
Subj. 1	2	4 / 2.5	2 / 2	2,151	--
Subj. 1	3	4 / 2.5	2 / 2	2,121	\$176.32
Subj. 1	4	4 / 3	2 / 2	2,377	\$164.90
2	4	4 / 3	2 / 2	2,028	\$193.78
3	3	4 / 3	2 / 2	2,014	\$216.74
4	3	3 / 2.5	2 / 1	2,131	\$183.47
5	3	4 / 3	2 / 2	2,365	\$187.94
7	4	4 / 3.5	2 / 2	2,129	\$173.73

All new home comparables are located within Murrieta, Temecula or Lake Elsinore. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, lot size, density, stories, sales concessions, CFD taxes, common area benefits, school district, total square footage, room count, garage space and other amenities. The comparable new home sales have base prices ranging from \$164.90 to \$216.74 per square foot. The highest price per square foot relates to a plan located in Temecula, a superior location. Ventana Plan 2 has an asking price less concessions of \$176.18 per square foot. Actual sale prices of Plan 2 range from \$171.96 to \$194.93 per square foot. There are currently no Plan 2 homes in escrow. The reported sales and escrow prices include premiums and options purchased by the buyer as well as any concessions given by the builder.

The homes appear to be in excellent condition with no physical depreciation visible. It has been concluded that Ventana Plan 2 has a base current market value of \$176 per square foot. This calculates as follows:

$$2,151 \text{ sf} \times \$176.00 = \$378,576$$

The most appropriate new home comparables for Ventana Plan 3 are:

Data	Plan	Rm. Ct.	Flrs/Pkg.	Sq.Ft	Price/SF
Subject	3	4 / 2.5	2 / 2	2,121	--
Subj. 1	2	4 / 2.5	2 / 2	2,151	\$176.18
Subj. 1	4	4 / 3	2 / 2	2,377	\$164.90
2	4	4 / 3	2 / 2	2,028	\$193.78
3	3	4 / 3	2 / 2	2,014	\$216.74
4	3	3 / 2.5	2 / 1	2,131	\$183.47
5	3	4 / 3	2 / 2	2,365	\$187.94
7	4	4 / 3.5	2 / 2	2,129	\$173.73

All new home comparables are located within Murrieta, Temecula or Lake Elsinore. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, lot size, density, stories, sales concessions, CFD taxes, common area benefits, school district, total square footage, room count, garage space and other amenities. The comparable new home sales have base prices ranging from \$164.90 to \$216.74 per square foot with the highest price per square foot being located in Temecula, a superior location. Ventana Plan 3 has an asking price less concessions of \$176.32 per square foot. Actual sale prices of Plan 3 range from \$174.30 to \$203.09 per square foot. There are five escrows for the Plan 3 ranging from \$181.21 to \$196.15 per square foot. The reported sales and escrow prices include premiums and options purchased by the buyer as well as any concessions given by the builder.

Homes appear to be in excellent condition with no physical depreciation visible. It has been concluded that Ventana Plan 3 has a base current market value of \$176.00 per square foot. This calculates as follows:

$$2,121 \text{ sf} \times \$176.00 = \$373,296$$

The most appropriate new home comparables for Ventana Plan 4 are:

Data	Model	Rm. Ct.	Firs/Pkg.	Sq.Ft	Price/SF
Subj. 1	4	4 / 3	2 / 2	2,377	--
Subj. 1	2	4 / 2.5	2 / 2	2,151	\$176.18
Subj. 1	3	4 / 2.5	2 / 2	2,121	\$176.32
2	4	4 / 3	2 / 2	2,028	\$193.78
3	3	4 / 3	2 / 2	2,014	\$216.74
4	3	3 / 2.5	2 / 2	2,131	\$183.47
5	3	4 / 3	2 / 2	2,365	\$187.94
7	4	4 / 3.5	3 / 2	2,129	\$173.73

All new home comparables are located within Murrieta, Temecula or Lake Elsinore. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, lot size, density, stories, sales concessions, CFD taxes, common area benefits, school district, total square footage, room count, garage space and other amenities. The comparable new home sales have base prices ranging from \$173.73 to \$216.74 per square foot. The highest price per square foot is located in Temecula, a superior location. The subject is the largest square footage of all of the comparables and is considered to be a large home for a cluster detached home format. Due to efficiency during construction, a larger home typically can be built for a lower price per square foot. Ventana Plan 4 has an asking price less concessions of \$164.90 per square foot. Actual sale prices of Plan 4 range from \$159.73 to \$177.11 per square foot. There are currently no Plan 4 homes in escrow. The reported sales and escrow prices include premiums and options purchased by the buyer as well as any concessions given by the builder.

All homes appear to be in excellent condition with no physical depreciation visible. It has been concluded that Ventana Plan 4 has a base current market value of \$165.00 per square foot. This calculates as follows:

$$2,377 \text{ sf} \times \$165.00 = \$392,205$$

### Builder Owned Retail Value

Within Ventana there are four builder-owned model homes and seven builder-owned production homes over 95 percent complete. Per interviews with builders, upgrades and landscape/hardscape of up to \$100,000 are installed in the model homes, however, the builders generally consider this a marketing cost and do not anticipate recovering this

investment on a dollar for dollar basis. Based on historical information, home sizes and fixtures, actual model home sales within the subject area and the current real estate market, a consideration of a \$30,000 premium has been included with each of the model homes. The retail base value conclusions for the builder-owned homes within Ventana are calculated as follows:

Ventana:	
Plan 1 (3 x \$361,179)	\$ 1,083,537
Plan 2 (1 x \$378,576)	378,576
Plan 3 (6 x \$373,296)	2,239,776
Plan 4 (1 x \$392,205)	392,205
Model Upgrades (4 x \$30,000)	120,000
Total Retail Value	<b><u>\$4,214,094</u></b>

### Absorption Period

In order to arrive at an absorption period for Ventana at Creekside Village, the absorption rates for the subject and competing developments have been reviewed. The market data used in the Improved Residential Sales Summary Chart (located in Addenda) have an absorption range from 0.7 to 5.9 sales per month, however the lowest absorption refers to a recently opened project which may have skewed the absorption rate. Ventana has a sales rate of 3.9 homes per month. Seven of the 11 builder-owned homes are in escrow and due to close in the next 60 days. Based on the absorption rate of the subject, the absorption rates of the comparable projects and the current escrows, it has been concluded that the 11 builder-owned homes will be absorbed evenly over a three-month time period at the concluded values.

### Remaining Costs

As discussed under the remaining costs section earlier within this report there are \$120,000 in remaining development costs which are associated with the project that are the builder's responsibility. The costs are for the final paving and monumentation for the project which isn't yet completed. It is assumed that these costs will be spread evenly over the three-month absorption period for the remaining builder-owned houses.

### Expenses

In determining an expense rate, several builders in the subject area have been interviewed as to their expenses on selling existing inventory. Expenses include marketing and general administrative costs. These costs typically range from six to ten percent depending on varying factors such as absorption period, intensity of marketing, etc. Six percent has been estimated for marketing expenses and two percent for general and administrative costs for a total of eight percent in expenses for this analysis.

### Profit

Several interviews with merchant builders in the area were conducted in order to determine an appropriate profit percentage for the subject properties. Builder's typically strive to achieve an 8 to 12 percent profit based on gross sales proceeds. During the recession this range was lowered considerably to six to eight percent with some builders drastically lowering their profit potential in order to maintain their work force. As the market improved, so did the profits. This appears to be occurring once again as prices have increased in the past year. A ten percent profit is considered appropriate in the analysis for this project.

### Discount Rate

In selecting a discount rate, the following was completed:

1. Interviews with merchant builders in the Murrieta/Temecula Valley area
2. Review of current market conditions including current market rates as well as yields reflected in other markets (i.e., municipal bonds, corporate bonds, etc.)
3. The quality, construction, historical sales and product on the subject property

The homes within Ventana at Creekside Village have been well received in the marketplace with good absorption rates. Based on the product, current market conditions and the amount of builder-owned product, a 10 percent discount rate is considered appropriate for this analysis.

### Discounted Cash Flow Summary

The discounted revenue for the Improvement Area (see DCF Analyses in addenda) for the builder owned homes is **\$3,280,727.**

### **Woodside Homes Ownership**

Woodside Homes owns 11 remaining homes within Ventana including four models (none in escrow) and seven production homes over 95 percent complete (all in escrow and due to close in the next 60 days). The final value conclusion for the builder owned property is shown below.

Total Woodside Owned Property (11 Houses)      **\$ 3,280,727**

### **Individual Owners Value Conclusion**

In determining the value for the individually owned homes, we have considered the concluded base price value for these homes which is considered a minimum market value. This is due to homebuyers typically purchasing some addition upgrades, options or pay some premiums for the lot. The concluded values are shown below.

Ventana:

Plan 1 (17 x \$361,179)	\$ 6,140,043
Plan 2 (14 x \$378,576)	5,300,064
Plan 3 (28 x \$373,296)	10,452,288
Plan 4 (13 x \$392,205)	<u>5,098,665</u>
Total Individual Owned Value	<b><u>\$26,991,060</u></b>

In an additional review, we have reviewed the original builder sales prices for the homes within Ventana at Creekside Village. Closings occurred between August 24, 2017 and September 28, 2018. The builder's reported closing prices for the individually owned homes total \$28,540,077. The concluded current minimum market value equates to within 5.4 percent of the actual prices. The actual sales prices include upgrades, options and premiums purchased by the homeowner along with the concessions given by the builder. The average option/premium and upgrade for the 72 closed homes, not including concessions given, equated to \$21,492 per house or a total of \$1,547,441. Part of the increase due to the purchased options and upgrades is offset by (1) the increases in base prices which have occurred since the opening of the project and (2) the concessions given by the builder. It is our conclusion that the original builder sales prices further substantiate the concluded minimum market value for the individually owned homes.

## APPRAISAL REPORT SUMMARY

The appraisal assignment was to value the subject property within MVUSD CFD No. 2014-3 which includes 83 proposed homes within the master planned community of Creekside Village being developed by Woodside Homes. The property is located in Murrieta, California. As of November 5, 2018, individuals have purchased and closed on 72 homes and there are an additional seven homes in escrow. Sales began in March of 2017 and closings began in August of the same year. There are four model homes and six production homes over 95 percent complete owned by Woodside Homes. The project is enjoying a strong sales rate. All structures appear to be in excellent condition with no visible depreciation. We have reviewed builder sales and reviewed the local MLS for re-sales within the subject property (none were found).

The subject property was valued utilizing the Sales Comparison Approach to value and utilized a mass appraisal technique for the individually owned homes. A minimum value was determined by concluding at a base value for the homes. The valuation took into account the benefits to be funded by MVUSD CFD No. 2014-3 bond proceeds along with the MVUSD CFD No. 2014-3 special tax lien. The concluded aggregate value for the subject properties, subject to their respective special tax lien, is:

<u>Ventana at Creekside Village</u>	
Woodside Ownership	\$ 3,280,727
Individual Owners	<u>\$ 26,991,060</u>
<b>Aggregate Value for MVUSD CFD No. 2014-3</b>	<b><u>\$ 30,271,787</u></b>

The above values are stated as of said date of value and subject to the attached Assumptions and Limiting Conditions and Appraiser's Certification.



## APPRAISER'S CERTIFICATION

The appraiser certifies that to the best of his knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased, professional analyses, opinions and conclusions.
3. The appraiser has no present or prospective interest in the property that is the subject of this report, and no personal interest or bias with respect to the parties involved.
4. The appraiser's compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result or the occurrence of a subsequent event.
5. This appraisal was not based on a requested minimum valuation, a specific valuation or the approval of a loan.
6. The analyses, opinions and conclusions were developed, and this report was prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
7. Kitty Siino has made a personal inspection of the property that is the subject of this report.
8. Kitty Siino has not performed any appraisal services on the subject property in the past three years. In 2014 she completed an appraisal of the land only.
9. No other appraisers have provided significant professional assistance to the persons signing this report.
10. The reported analyses, opinions and conclusions were developed, and this report was prepared, in conformity with the requirements of the Appraisal Institute's Code of Professional Ethics and Standards of Professional Appraisal Practice, which include the Uniform Standards of Professional Appraisal Practice.
11. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
12. As of the date of this report, Kitty Siino has completed the requirements of the continuing education program of the Appraisal Institute.



Kitty S. Siino, MAI  
State Certified General  
Real Estate Appraiser (AG004793)


# **ADDENDA**

**MVUSD CFD 2014-3 BOUNDARY MAP**

BOUNDARY MAP OF PROPOSED  
MURRIETA VALLEY UNIFIED SCHOOL DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 2014-3  
RIVERSIDE COUNTY  
STATE OF CALIFORNIA



LEGEND

	Boundaries of Proposed Community Facilities District 2014-3
nnn- <del>nnn</del> -nnn	Riverside County Assessor's Parcel Number

Dolinka Group LLC

(1) Filed in the office of the Clerk of the Governing Board of the Murrieta Valley Unified School District this 14<sup>th</sup> day of August, 2014

*Barbara J. Muir*

Clerk of the Governing Board

(2) I hereby certify that the within map showing the proposed boundaries of Community Facilities District No. 2014-3 of the Murrieta Valley Unified School District, Riverside County, State of California, was approved by the Governing Board of the Murrieta Valley Unified School District at a regular meeting thereof, held on this 14<sup>th</sup> day of August, 2014 by its Resolution No. 14/15-03.

*Barbara J. Muir*

Clerk of the Governing Board

(3) Filed this 26<sup>th</sup> day of August, 2014, at the hour of 4:44 o'clock P.m., in Book 77 of Maps of Assessment and Community Facilities Districts at page 50 and as Instrument No. 2014-0324182 in the office of the County Recorder of Riverside County, State of California **Fee: \$100**

*Sophia J. Ward*

County Recorder of Riverside County  
Larry W. Ward

Reference is hereby made to the Assessor maps of the County of Riverside for an exact description of the lines and dimensions of each lot and parcel.

**VENTANA AT CREEKSIDE VILLAGE SITE**  
**PLAN**



**TRACT MAP 36496**

# TRACT NO. 36496

IN THE CITY OF MURRIETA, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA  
BEING A SUBDIVISION OF PARCEL 4 OF PARCEL MAP NO. 30737, IN THE CITY OF MURRIETA, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 207, PAGES 87 THROUGH 92, INCLUSIVE, OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.  
MDS CONSULTING STANLEY MORSE, L.S. 3640 OCTOBER 2015  
FOR CONDOMINIUM PURPOSES



### SURVEYOR'S NOTES

- ( ) DIMENSIONS MEASURED & RECORD DATA PER PARCEL MAP NO. 30737, P.M.S. 207/89-92
- [ ] DIMENSIONS MEASURED & RECORD DATA PER TRACT NO. 28378, M.S. 380/99-118
- INDICATES THE SUBDIVISION BOUNDARY.
- RAD = RADIAL BEARING, PFC = POINT OF REVERSE CURVE RADIAL BEARING.
- PCC = POINT OF COMPOUND CURVE RADIAL BEARING.
- INDICATES FOUND MONUMENTS AS NOTED
- INDICATES SET "I" I.P., 1/8" LONG, TAGGED "LS 3647", FLUSH (RVA. CO. STD. "O" MON.)

ALL MONUMENTS ARE SET PER RIVERSIDE COUNTY ORDINANCE NO. 491.8.  
SET "I" I.P. TAGGED LS 3647, FLUSH, AT ALL REAR LOT CORNERS, AND CORNER OUTRACKS, UNLESS OTHERWISE NOTED.  
SET NAIL AND TAG STAMPED "LS 3647" ON TOP OF CURB AT PROLONGATION OF SIDE LOT, E.C. RC, PFC AND PCC LINES IN L&E OF FRONT LOT CORNER MONUMENTS, UNLESS OTHERWISE NOTED.  
ALL MONUMENTS SHOWN AS "SET" ARE IN ACCORDANCE WITH THE MONUMENT AGREEMENT FOR THIS TRACT.

SET RIVERSIDE CO. TYPE "A" OR "B" MONUMENT "I" I.P. AND PLASTIC FLAG "LS 3647" FLUSH IN PAVEMENT AT ALL STREET CENTERLINE POINTS OF CORNER, UNLESS OTHERWISE NOTED.  
INDICATED RESTRICTED VEHICULAR ACCESS.  
DRAINAGE EASEMENTS SHALL BE KEPT FREE OF BUILDINGS AND OBSTRUCTIONS.

### BASIS OF BEARING

THE BASIS OF BEARINGS FOR THIS MAP ARE BASED ON THE CENTERLINE OF WHITEWOOD ROAD, AS SHOWN ON TRACT NO. 28378, M.S. 380/99-118 IN THE OFFICE OF THE COUNTY RECORDER OF RIVERSIDE COUNTY, BEING NORTH 57°12'2" EAST.

### COVENANTS, CONDITIONS & RESTRICTIONS

"C.C. & R'S RECORDED 02/06/2017 AS INSTRUMENT NO. 0275548"

### ASSESSORS' PARCEL NUMBER

916-016-025-0

### MONUMENT NOTES

- 1" I.P. IRON PIPE W/NAIL & TAG "LS 4547" IN L&E OF "I" IRON PIPE W/PLUG STAMPED "LS 3621" AS SHOWN ON PARCEL MAP NO. 30737, P.M.S. 207/89-92 PER CERTIFICATE OF CORRECTION RECORDED MAY 12, 2015 AS DOCUMENT NO. 2015-019796, FLUSH ACCEPTED AS PROPERTY CORNER OF PARCEL 4, PARCEL MAP NO. 30737, P.M.S. 207/89-92.
- 1" NAIL & TAG STAMPED "LS 4547" ON TOP OF REACTOR IN L&E OF "I" IRON PIPE W/PLUG STAMPED "LS 3621" AS SHOWN ON PARCEL MAP NO. 30737, P.M.S. 207/89-92 PER CERTIFICATE OF CORRECTION RECORDED MAY 12, 2015 AS DOCUMENT NO. 2015-019796, FLUSH ACCEPTED AS PROPERTY CORNER OF LOT "C", PARCEL MAP NO. 30737, P.M.S. 207/89-92.
- 1/2" COPPER CLAD STEEL PIN W/1/2" BRASS CAP STAMPED "LS 4547" FLUSH PER TRACT NO. 28378, M.S. 380/99-118.
- 1" I.P. IRON PIPE STAMPED "LS 4547" IN WELL MONUMENT ON 0.5 PER TRACT NO. 28378, M.S. 380/99-118.
- 1" NAIL AND TAG "LS 5417" FLUSH, NO REF. ACCEPTED AS COVERLINE INTERSECTION OF MURRIETA HOT SPRINGS ROAD AND WHITE WOOD ROAD.
- 1" I.P. IRON PIPE & NAILER STAMPED "LS 4557" FLUSH PER TRACT NO. 28378, M.S. 380/99-118.

### PROPOSED EASEMENT NOTES

- EASEMENT TO THE CITY OF MURRIETA FOR EMERGENCY ACCESS PURPOSES.
- RESERVATION FOR UTILITY AND ACCESS EASEMENTS SHOWN HEREON.
- RESERVATION FOR SEWER EASEMENTS SHOWN HEREON.

### EXISTING EASEMENT NOTES

SOUTHERN CALIFORNIA GAS COMPANY, A CALIFORNIA CORPORATION, HOLDER OF A NON-EXCLUSIVE EASEMENT FOR THE TRANSMISSION AND DISTRIBUTION OF NATURAL GAS AND COMMUNICATIONS PER DOCUMENT RECORDED FEBRUARY 04, 2017 AS INSTRUMENT NO. 2017-0058247 OF OFFICIAL RECORDS. SAID EASEMENT IS NOT FLOTTABLE PER SAID DOCUMENT.  
SOUTHERN CALIFORNIA Edison COMPANY, A CORPORATION, HOLDER OF AN EASEMENT AND RIGHT OF WAY FOR UNDERGROUND ELECTRICAL SUPPLY AND COMMUNICATION SYSTEMS PURPOSES PER DOCUMENT RECORDED MARCH 28, 2017 AS INSTRUMENT NO. 2017-0124081 OF OFFICIAL RECORDS. SAID EASEMENT IS BLANKET IN NATURE.

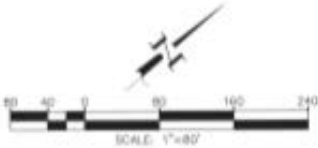
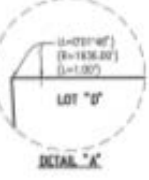
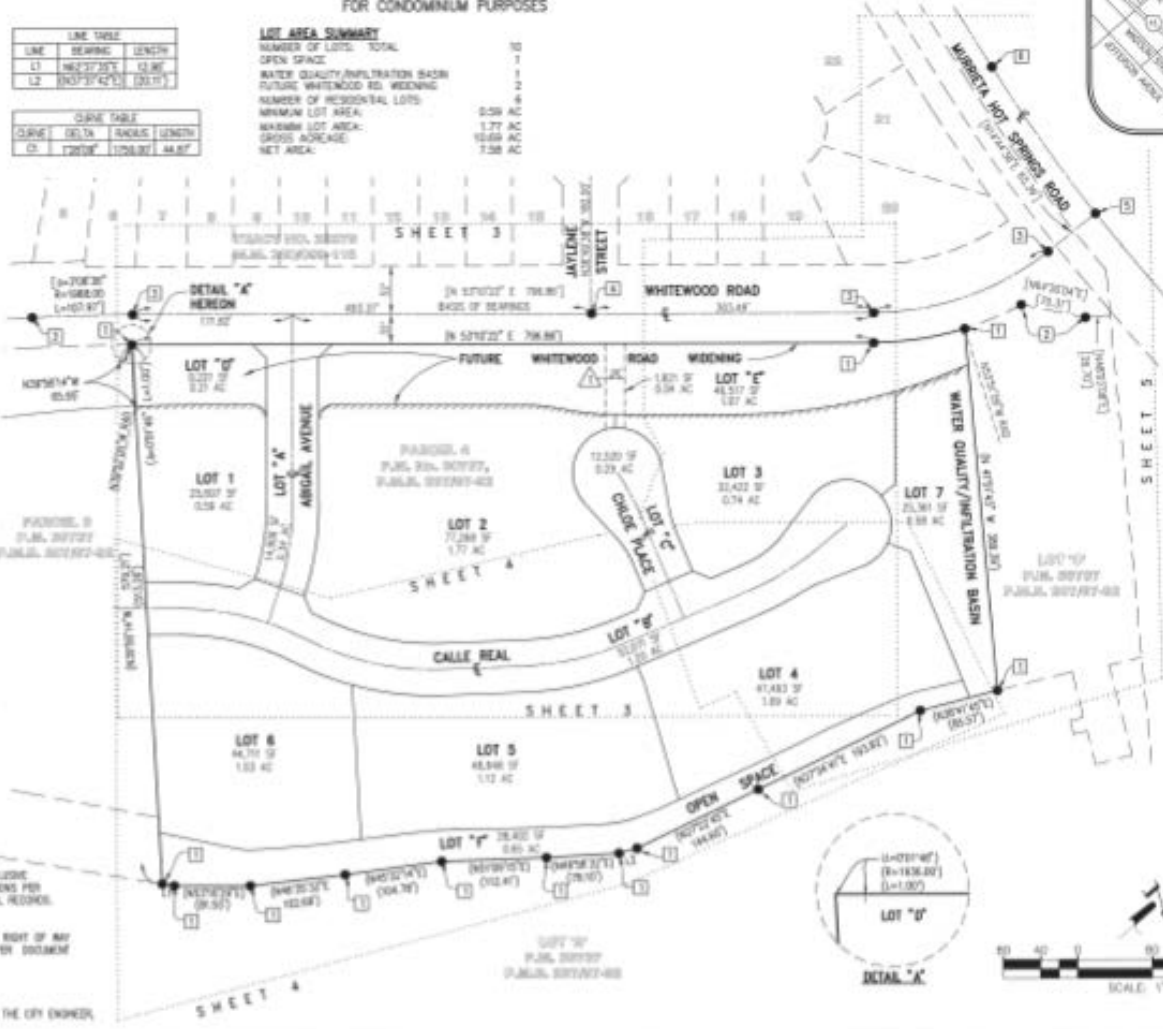
### ENVIRONMENTAL CONSTRAINT NOTE

AN ENVIRONMENTAL CONSTRAINT SHEET AFFECTING THIS MAP IS ON FILE IN THE OFFICE OF THE CITY ENGINEER, CITY OF MURRIETA. THIS AFFECTS ALL LOTS.

LINE	BEARING	LENGTH
L1	N62°27'20"E	13.06'
L2	S20°37'42"E	10.11'

CURVE	DELTA	RADIUS	LENGTH
C1	128°08'	126.82'	44.87'

LOT AREA SUMMARY	
NUMBER OF LOTS: TOTAL	10
OPEN SPACE	1
WATER QUALITY/INFILTRATION BASIN	1
FUTURE WHITEWOOD RD. WIDENING	2
NUMBER OF RESIDENTIAL LOTS:	6
MINIMUM LOT AREA:	0.59 AC
MAXIMUM LOT AREA:	1.77 AC
GROSS BULKAGE:	10.58 AC
NET AREA:	7.58 AC





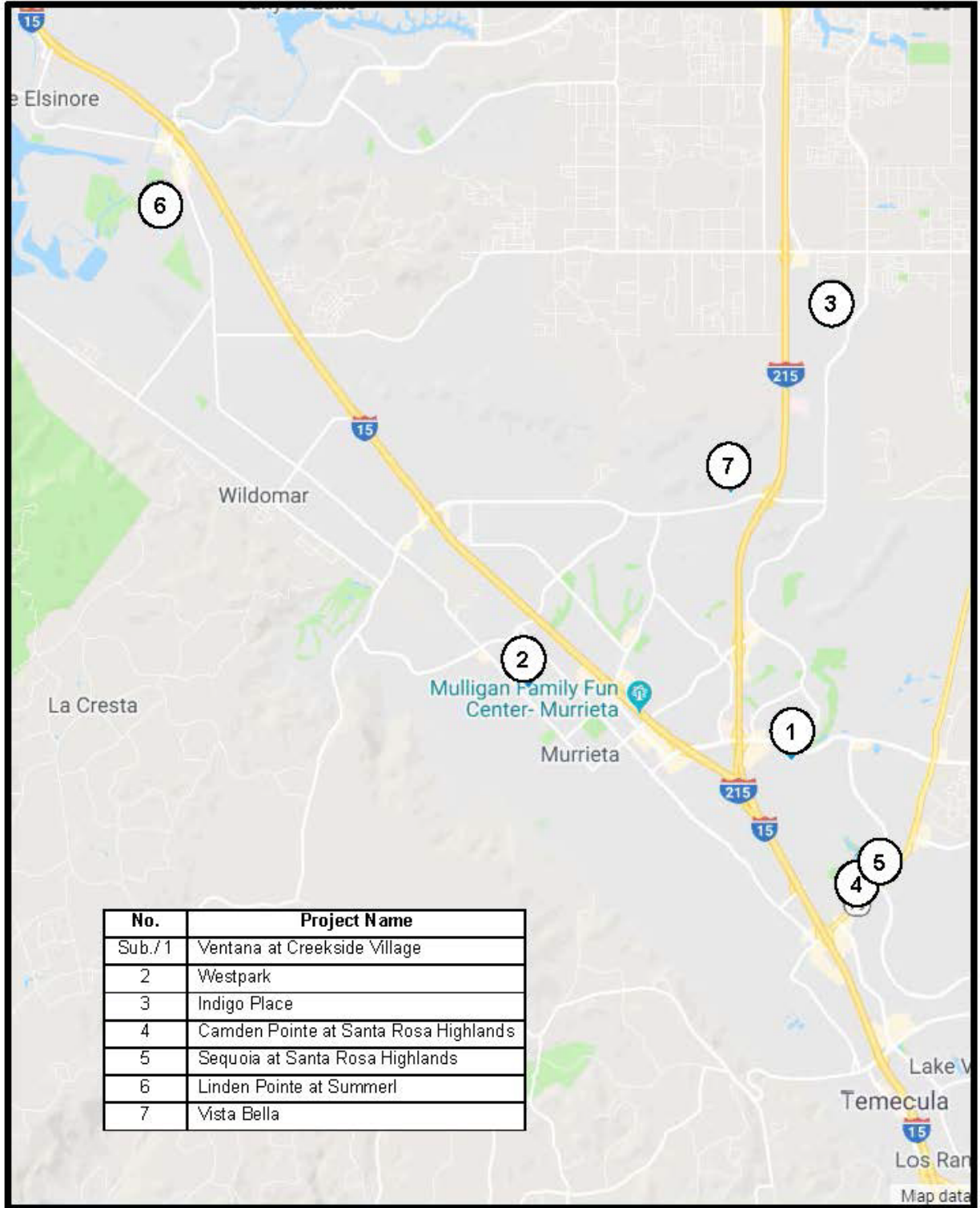
# **DISCOUNTED CASH FLOW ANALYSIS**

### Ventana at Creekside Village Builder-Owned Houses DCF Analysis

MONTH	<u>MONTH 1</u>	<u>MONTH 2</u>	<u>MONTH 3</u>	<u>TOTAL</u>
INCOME:				
Retail Sales	\$1,404,698	\$1,404,698	\$1,404,698	\$4,214,094
TOTAL INCOME	<u>\$1,404,698</u>	<u>\$1,404,698</u>	<u>\$1,404,698</u>	<u>\$4,214,094</u>
EXPENSES:				
Remaining Costs	(\$40,000)	(\$40,000)	(\$40,000)	(\$120,000)
Marketing & Carrying Expenses	(\$112,376)	(\$112,376)	(\$112,376)	(\$337,128)
Profit	<u>(\$140,470)</u>	<u>(\$140,470)</u>	<u>(\$140,470)</u>	<u>(\$421,409)</u>
TOTAL EXPENSES	(\$292,846)	(\$292,846)	(\$292,846)	(\$878,537)
NET CASH FLOW	\$1,111,852	\$1,111,852	\$1,111,852	\$3,335,557
Discount Factor	<u>0.9917</u>	<u>0.9835</u>	<u>0.9754</u>	
DISCOUNTED CASH FLOW	\$1,102,663	\$1,093,551	\$1,084,513	\$3,280,727
CUMULATIVE DISCOUNTED CASH FLOW	<b><u>\$1,102,663</u></b>	<b><u>\$2,196,214</u></b>	<b><u>\$3,280,727</u></b>	<b><u>\$3,280,727</u></b>

**IMPROVED RESIDENTIAL SALES MAP &**  
**SUMMARY CHART**

### Improved Residential Sales Map



### Improved Residential Sales Summary Chart

No.	Project Name Location / Developer	Plan	Room Count	Floors / Parking	Size (SF)	Lot Size	Base Sales Price	Absorp. Rate	Incentives/ Concessions	Price Less Incentives	Price/SF After Incentives
Sub. 1	Ventana at Creekside Village, Murrieta Hot Springs Rd. and Whitewood Rd, Murrieta / Woodside Homes	1	3 / 2.5	2 / 2	1,911	3,000	\$371,990	3.9	Up to \$10,000	\$361,990	\$189.42
		2	4 / 2.5	2 / 2	2,151		\$388,980			\$378,980	\$176.18
		3	4 / 2.5	2 / 2	2,121		\$383,990			\$373,990	\$176.32
		4	4 / 3	2 / 2	2,377		\$401,990			\$391,990	\$164.90
2	Westpark, Washington Avenue and Fullerton Road, Murrieta / KB Home	1	3 / 2.5	2 / 2	1,557	2,500	\$368,990	2.0	None	\$368,990	\$236.98
		2	3 / 2.5	2 / 2	1,750		\$382,990			\$382,990	\$218.85
		3	4 / 3	2 / 2	1,865		\$401,990			\$401,990	\$215.54
		4	4 / 3	2 / 2	2,028		\$392,990			\$392,990	\$193.78
3	Indigo Place, Rancho Vista Rd. and Mira Loma Dr., Temecula / D.R. Horton	1	3 / 2.5	2 / 2	1,564	3,000	\$409,990	3.7	\$5,000 towards closing with preferred lender	\$404,990	\$258.94
		1x	4 / 3.5	2 / 2	1,751		\$420,990			\$415,990	\$237.57
		2	3 / 2.5	2 / 2	1,974		\$428,930			\$423,990	\$214.78
		3	4 / 3	2 / 2	2,014		\$441,520			\$436,520	\$216.74
4	Camden Pointe, Santa Rosa Highlands, Jefferson Avenue and Lemon Street, Murrieta / D.R. Horton	1	3 / 2.5	2 / 2	1,949	3,000	N/A	2.6	\$5,000 towards closing with preferred lender	N/A	N/A
		2	3 / 2.5	2 / 2	1,880		\$381,990			\$376,990	\$200.52
		3	3 / 2.5	2 / 1	2,131		\$395,990			\$390,990	\$183.47
5	Sequoia, Santa Rosa Highlands, Jefferson Avenue and Lemon Street, Murrieta / D.R. Horton	1	3 / 2.5	2 / 2	1,986	4,500	\$425,230	0.7	\$5,000 towards closing with preferred lender	\$420,230	\$211.59
		2	4 / 3	2 / 2	2,065		\$439,600			\$434,600	\$210.46
		3	4 / 3	2 / 2	2,365		\$449,490			\$444,490	\$187.94
6	Linden Pointe, Summerly, Diamond Drive and Summerly Place, Lake Elsinore / D.R. Horton	1	3 / 2	1 / 2	1,387	3,500	\$336,490	5.9	\$5,000 towards closing with preferred lender	\$331,490	\$238.99
		2	4 / 3	2 / 2	1,769		\$365,990			\$360,990	\$204.06
		3	4 / 3	2 / 2	1,895		\$369,990			\$364,990	\$192.60
7	Vista Bella, Clinton Keith Rd. and Mitchell Rd., Murrieta / Melia Homes	1	3 / 2.5	2 / 2	1,513	Duplexes	\$332,900	4.4	\$2,500 for preferred lender and \$2,500 for design center	\$317,900	\$210.11
		2	4 / 2	2 / 2	1,643		\$339,900			\$334,900	\$203.83
		3	4 / 2.5	2 / 2	1,685		\$362,900			\$357,900	\$212.40
		4	4 / 3.5	3 / 2	2,129		\$374,900			\$369,900	\$173.73

## **APPRAISER'S QUALIFICATIONS**

## QUALIFICATIONS OF KITTY S. SIINO, MAI

### Education

Bachelor of Arts in Business Administration, Financial Investments, California State University, Long Beach, California (1980)

Post-Graduate Study, Real Estate Development, University of California, Irvine, California

Appraisal Institute Classes: Uniform Standards of Professional Appraisal Practice, A & B; Appraisal Principles; Appraisal Procedures; Basic Income Capitalization; Advanced Income Capitalization; Narrative Report Writing; Advanced Applications, Case Studies. Successfully completed all classes in addition to successfully completing the writing of a Demonstration Report and taking the Comprehensive Exam. Became a Member of the Appraisal Institute in December 1996. Have completed over 100 hours of continuing education through the Appraisal Institute every five years.

### Employment

1988 - Present:

**Self-Employed Real Estate Appraiser.** Duties include the appraisal of various types of properties such as commercial, retail, industrial and vacant land. More complex assignments include easements, right-of-ways and special assessment districts. From 1996 to present, specialized in special assessment districts and community facilities districts appraisals for public entities, including Jurupa Community Services District, Corona Norco Unified School District, City of Corona, City of Chula Vista, City of San Marcos and City of Moreno Valley.

1986-1988:

**Project Manager of Development for Ferguson Partners, Irvine, California.** Duties included land acquisitions; review of fee appraisals and valuations; analysis of proposed development; planning and design; and management of development, construction and lease-up. The types of properties developed were commercial and industrial. Duties ranged from raw, vacant site development through property management of recently developed projects.

1981 - 1986

**Manager of Finance, Construction for Community Development Division, The Irvine Company, Irvine, California.** Duties included originating and managing a newly formed division of finance to bridge between the accounting functions and project management functions. Worked with analysis and budgets for Community Development Division. Coordinated with cities in forming new Assessment Districts and Community Facilities Districts to finance major infrastructure improvements. Types of properties were apartments and single-family residential lots on a for sale basis to apartment and homebuilders.

1980 - 1981

**Investment Counselor, Newport Equity Funds, Newport Beach, California.** Duties included obtaining private financing for residential properties, working with appraisals of properties and analyzing the investments.

**Licenses**

Real Estate Sales Person, State of California, 1980  
Certified General Appraiser, State of California (#AG004793)

**Organizations**

MAI #11145 - The Appraisal Institute

**Public Financing**

CASTOFF Meetings, 2006, 2007, 2008, 2009, 2010, 2011, 2013, 2014, 2015, 2016, 2017  
and 2018

Speaker, Mello-Roos & Special Assessment Financing, UCLA Extension Public Policy  
Program, February 2009 and March 2011



## APPENDIX D

### SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

The following is a brief summary of the provisions of the Fiscal Agent Agreement (“Agreement”). This Summary is not intended to be definitive. Reference is made to the actual document (a copy of which is available from the District) for the complete terms thereof.

#### DEFINED TERMS

The following terms have the following meanings, notwithstanding that any such terms may be elsewhere defined in this Official Statement. Any terms not expressly defined in this Summary or previously defined in this Official Statement have the respective meanings previously given. The following are not all of the terms defined in the Agreement.

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

“**Administrative Expenses**” means the actual or reasonably estimated costs incurred by the District or the School District directly related to the administration of the District and the Special Taxes, including without limitation the following:

- (A) the costs of computing the Special Taxes and of preparing the annual Special Tax collection schedules (whether by the Superintendent or designee thereof or both);
- (B) the costs of collecting the Special Taxes (whether by the County or otherwise);
- (C) the costs of remitting the Special Taxes to the Fiscal Agent for the Bonds;
- (D) the fees and expenses of the Fiscal Agent (including its legal counsel) in the discharge of the duties required of it under the Agreement;
- (E) the costs incurred by the District and the School District in complying with the disclosure requirements of applicable federal and state securities laws, Government Code Section 50075.1, *et seq.*, Government Code Section 8855(k)(1), and of the Act, the District’s Continuing Disclosure Certificate and the Agreement including those related to public inquiries regarding the Special Tax and disclosures to Owners and the Original Purchaser;
- (F) the costs of the District or its designee or consultants related to any appeal of the Special Tax;
- (G) any amounts required to be rebated to the federal government in order for the School District to comply with the Agreement;
- (H) an allocable share of the salaries of the School District staff directly relating to all of the foregoing;
- (I) amounts advanced by the School District for Administrative Expenses or any other administrative purposes of the District
- (J) costs related to the prepayment, discharge or satisfaction of Special Taxes; and

- (K) and the costs of commencing and pursuing to completion any foreclosure action arising from delinquent Special Taxes.

**“Administrative Expense Fund”** means the fund by that name established in the Agreement.

**“Administrative Expense Requirement”** means \$15,000.

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

**“Annual Debt Service”** means, for each Bond Year, the sum of

- (A) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds and Parity Bonds are retired as scheduled (including by reason of the Agreement providing for mandatory sinking payments), and
- (B) the principal amount of the Outstanding Bonds and Parity Bonds due in such Bond Year (including any mandatory sinking payment due in such Bond Year).

**“Auditor”** means the auditor/controller of the County of Riverside.

**“Authorized Investments” or “Permitted Investments”** means, subject to applicable law:

- (A) Federal Securities.
- (B) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks, which may include the Fiscal Agent and its affiliates, which have a rating on their short term certificates of deposit on the date of purchase of “P-1” by Moody’s Investors Service and “A-1” or “A-1+” by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);
- (C) Commercial paper which is rated at the time of purchase in the single highest classification, “P-1” by Moody’s and “A-1+” by S&P and which matures not more than 270 calendar days after the date of purchase;
- (D) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P, including such funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory or other management services or for which the Fiscal Agent or an affiliate of the Fiscal Agent serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Fiscal Agent or an affiliate of the Fiscal Agent receives fees from funds for services rendered, (ii) the Fiscal Agent collects fees for services rendered pursuant to the Agreement, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Agreement may at times duplicate those provided to such funds by the Fiscal Agent or an affiliate of the Fiscal Agent;
- (E) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call

on the date specified in the notice, and which at the time of purchase are rated, based on an irrevocable escrow account or fund, in the highest rating category of Moody's or S&P or any successors thereto; or

- (F) Municipal Obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P.

**"Authorized Officer"** means the President of the Board, Superintendent, the Assistant Superintendent, Business Services, the Assistant Superintendent, Facilities/Operational Services, or any other officer or employee authorized by the Board or by an Authorized Officer to undertake the action referred to in the Agreement as required to be undertaken by an Authorized Officer.

**"Board"** means the Board of Education of the School District.

**"Bond Counsel"** means Jones Hall, A Professional Law Corporation, or any attorney or firm of attorneys selected by the District with 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 in the Agreement.

**"Bond Register"** means the books for the registration and transfer of Bonds maintained by the Fiscal Agent.

**"Bond Year"** means the one-year period beginning on September 2nd in each year and ending on September 1st in the following year, except that the first Bond Year will begin on the Closing Date and end on September 1, 2019.

**"Bonds"** means Community Facilities District No. 2014-3 of the Murrieta Valley Unified School District, 2019 Special Tax Bonds.

**"Business Day"** means any day other than (i) a Saturday or a Sunday, or (ii) a day on which banking institutions in California, the state in which the Fiscal Agent has a corporate trust office are 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 thereto.

**"Closing Date"** means January 31, 2019, being the date upon which there is 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 Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

**"Continuing Disclosure Certificate"** means that certain Continuing Disclosure Certificate executed by the School District, on behalf of the District, and acknowledged and consented to by Cooperative Strategies, LLC, as dissemination agent, dated the Closing Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

**“Costs of Issuance”** means items of expense payable or reimbursable directly or indirectly by the District or School District and related to the authorization, sale and issuance of the Bonds, which items of expense include, but are not limited to, printing costs, costs of reproducing and binding documents, closing costs, filing and recording fees, initial fees and charges of the Fiscal Agent including its first annual administration fee and fees and expenses of its counsel, expenses incurred by the District or School District in connection with the issuance of the Bonds and the establishment of the District including costs related to any mitigation agreement or other agreement related to establishment of the District, special tax consultant fees and expenses, preliminary engineering fees and expenses, bond underwriter’s discount, legal fees and charges, including bond counsel, disclosure counsel, School District general counsel, financial consultants’ fees, charges for execution, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

**“Costs of Issuance Fund”** means the fund by that name established in the Agreement.

**“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.

**“Depository”** means (a) initially, DTC, and (b) any other Securities Depository acting as Depository.

**“Developed Property”** has the same meaning as set forth in the Rate and Method of Apportionment.

**“District”** means the Community Facilities District No. 2014-3 of the Murrieta Valley Unified School District, formed by the School District under the Act and the Resolution of Formation.

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

**“EMWD”** means Eastern Municipal Water District, its successors and assigns.

**“EMWD Facilities”** means public facilities to be owned and operated by EMWD.

**“EMWD Facilities Account”** means the account by that name within the Improvement Fund established under the Agreement.

**“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

- (A) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code,
- (B) 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,

- (C) 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
- (D) any commingled investment fund in which the Issuer and related parties do not own more than a 10% beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

To the extent required by the applicable regulations under the Code, the term “investment” will include a hedge.

**“Federal Securities”** means

- (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), for which the full faith and credit of the United States of America are pledged; and
- (B) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are fully, unconditionally and directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

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

**“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 Fund”** means the fund by that name, together with the accounts therein.

**“Independent Financial Consultant”** means any consultant or firm of such consultants appointed by an Authorized Officer, and who, or each of whom:

- (A) is judged by the Authorized Officer to have experience in matters relating to the issuance and/or administration of bonds under the Act;
- (B) is in fact independent and not under the domination of the School District or the District;
- (C) does not have any substantial interest, direct or indirect, with or in the School District or the District, or any owner of real property in the School District or the District, or any real property in the District; and
- (D) is not connected with the District as an officer or employee of the School District, but who may be regularly retained to make reports to the School District or the District.

**“Information Service”** means the Electronic Municipal Market Access (EMMA) system maintained by the Municipal Securities Rulemaking Board, accessible at the [emma.msrb.org](http://emma.msrb.org) website, and, in accordance with then current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the District may designate in a Written Request delivered to the Fiscal Agent.

**“Interest Payment Dates”** means September 1 and March 1 of each year, commencing September 1, 2019.

**“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 Parity Bonds.

**“Moody’s”** means Moody’s Investors Service, and any successor thereto.

**“Net Special Taxes”** means, after the Administrative Expense Requirement is funded to the Administrative Expense Fund, the proceeds of the Special Taxes received by the District, including any scheduled payments, interest thereon, collections of any delinquent Special Taxes, and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon. “Net Special Taxes” does not include any penalties or costs of collecting delinquent Special Taxes collected in connection with delinquent Special Taxes.

**“Ordinance”** means any ordinance adopted by the legislative body of the District providing for the levy of the Special Taxes.

**“Original Purchaser”** means Stifel Nicolaus & Company, Incorporated, the first purchaser of the Bonds from the District.

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

**“Owner”** means any person who is the registered owner of any Outstanding Bond.

**“Parity Bonds”** means any additional bonds issued by the District on a parity with any then Outstanding Bonds for refunding purposes.

**“Participating Underwriter”** has the meaning given in the Continuing Disclosure Certificate.

**“Principal Office”** means the corporate trust office of the Fiscal Agent or such other or additional offices as may be designated by the Fiscal Agent.

**“Project”** means the facilities more particularly described in the Resolution of Formation.

**“Rate and Method of Apportionment”** means the Rate and Method of Apportionment of Special Taxes for the District, as approved by the qualified voters of the District on February 10, 2015.

**“Record Date”** means the 15th day of the month (whether or not such day is a Business Day) next preceding the month of the applicable Interest Payment Date.

**“Representation Letter”** means the representation letter between the District and DTC in effect as of the Closing Date.

**“Reserve Fund”** means the fund by that name established in the Agreement.

**“Reserve Requirement”** means, as of any date of calculation an amount equal to the least of

- (A) the then Maximum Annual Debt Service,
- (B) 125% of the then average Annual Debt Service, or
- (C) 10% of the initial principal amount of the Bonds and Parity Bonds issued under the Agreement.

**“Resolution”** means Resolution No. 18/19-08, adopted by the Board on December 13, 2018, authorizing issuance of the Bonds.

**“Resolution of Formation”** means Resolution No. 14/15-18 of the Board adopted on February 10, 2015.

**“S&P”** means Standard & Poor’s Ratings Service, a division of The McGraw-Hill Companies, and any successor thereto.

**“School District”** means the Murrieta Valley Unified School District of Murrieta, California, and any successor thereto.

**“School Facilities Account”** means the account by that name within the Improvement Fund.

**“Securities Depositories”** means The Depository Trust Company, 55 Water Street, 50<sup>th</sup> Floor, New York, N.Y. 10041-0099 Attn. Call Notification Department, Fax (212) 855-7232, and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and such other securities depositories as the District may designate in a written direction of an Authorized Officer delivered to the Fiscal Agent.

**“Special Tax Fund”** means the fund by that name established in the Agreement.

**“Special Tax Prepayments”** means the proceeds of any Special Tax prepayments received by the District, as calculated pursuant to the Rate and Method of Apportionment for the District, less any administrative fees or penalties collected as part of any such prepayment.

**“Special Tax Prepayments Account”** means the account by that name within the Bond Fund.

**“Special Tax Remainder Account”** means the account by that name within the Special Tax Fund.

**“Special Taxes”** means the special taxes levied within the District pursuant to the Act, the Rate and Method of Apportionment, the Ordinance and the Agreement.

**“Supplemental Agreement”** means an agreement the execution of which is authorized by a resolution that has been duly adopted by the legislative body of the District under the Act and which agreement amends or supplements the Agreement, but only if and to the extent that such agreement is specifically authorized under the Agreement.

**“Tax Consultant”** means any independent financial or tax consultant retained by the District for the purpose of computing the Special Taxes.

## FUNDS AND ACCOUNTS

The following funds and accounts are established pursuant to the Agreement:

**Improvement Fund.** An Improvement Fund is established, as a separate fund to be held by the Fiscal Agent. Within the Improvement Fund, the Fiscal Agent shall establish and maintain two accounts (each an “Account”) to be known as the “School Facilities Account” and the “EMWD Facilities Account.” Moneys in the Improvement Fund shall be held by the Fiscal Agent for the benefit of the District and shall be disbursed for the payment or reimbursement of costs of the Project. Specifically, moneys in the School Facilities Account shall be disbursed for the payment or reimbursement of School Facilities costs, and moneys in the EMWD Facilities Account shall be disbursed for the payment or reimbursement of EMWD Facilities costs.

Moneys in the Improvement Fund shall be invested in accordance with the Agreement as summarized herein under the heading “INVESTMENTS.” Interest earnings and profits from such investment shall be deposited and credited by the Fiscal Agent to the Improvement Fund, and pro rata (in proportion to the amounts invested in each Account, divided by the total of the accounts during the same period) to each of the Accounts to be used for the payment of the costs of the Project.

**Costs of Issuance Fund.** A Costs of Issuance Fund is established, as a separate fund to be held by the Fiscal Agent.

Moneys in the Costs of Issuance Fund shall be held by the Fiscal Agent and shall be disbursed from time to time to pay Costs of Issuance, as set forth in a requisition containing respective amounts to be paid to the designated payees, signed by an Authorized Officer and delivered to the Fiscal Agent concurrently with the delivery of the Bonds and from time to time thereafter.

The Fiscal Agent shall maintain the Costs of Issuance Fund for a period of 90 days after the Closing Date and then shall transfer any moneys remaining therein not required for payment of Costs of Issuance, including any investment earnings thereon, to the Improvement Fund on an equal basis to the School Facilities Account and the EMWD Facilities Account. Upon such transfer, the Costs of Issuance Fund shall be closed.

Moneys in the Costs of Issuance Fund shall be invested in accordance with the Agreement as summarized herein under the heading “INVESTMENTS.” Interest earnings and profits resulting from said investment shall be retained by the Fiscal Agent in the Costs of Issuance Fund to be used for the purposes of such fund.

**Reserve Fund.** A Reserve Fund is established, as a separate fund to be held by the Fiscal Agent, to the credit of which a deposit shall be made equal to the Reserve Requirement as of the Closing Date, and deposits shall thereafter be made as provided in the Agreement.

Moneys in the Reserve Fund shall be held by the Fiscal Agent for the benefit of the Owners as a reserve for the payment of principal of, and interest and any premium on, the Bonds and shall be subject to a lien in favor of the Owners.

All amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond



Fund of the amount then required for payment of the principal of, and interest and any premium on, the Bonds or for the purpose of redeeming Bonds.

Moneys in the Reserve Fund shall be invested in accordance with the Agreement as summarized herein under the heading "INVESTMENTS."

Whenever a transfer is made from the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Fiscal Agent shall provide written notice thereof to an Authorized Officer, specifying the amount withdrawn.

Whenever, on the Business Day prior to any Interest Payment Date, or on any other date at the request of an Authorized Officer, the amount in the Reserve Fund exceeds the Reserve Requirement (including interest earnings), the Fiscal Agent shall provide written notice to an Authorized Officer of the amount of the excess and shall transfer an amount equal to the excess from the Reserve Fund to the Bond Fund to be used for the payment of interest on and principal of the Bonds on the next Interest Payment Date in accordance with the Agreement.

Whenever the balance in the Reserve Fund and the Bond Fund equals or exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall upon the written direction of an Authorized Officer transfer the amount in the Reserve Fund to the Bond Fund to be applied on the next succeeding Interest Payment Date to the payment and redemption, in accordance with the Agreement, as applicable, of all of the Outstanding Bonds. If the amount transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund shall be transferred to the District to be used for any lawful purpose of the District.

Notwithstanding the foregoing, no amounts shall be transferred from the Reserve Fund pursuant to the Agreement until after (i) the calculation of any amounts due to the federal government pursuant to the Agreement following payment of the Bonds and withdrawal of any such amount from the Reserve Fund for purposes of making such payment to the federal government, and (ii) payment of any fees and expenses due to the Fiscal Agent.

Whenever Special Taxes are prepaid and Bonds are to be redeemed with the proceeds of such prepayment pursuant to the Agreement, a proportionate amount in the Reserve Fund (determined on the basis of the principal of Bonds to be redeemed and the original aggregate principal amount of the Bonds, and calculated with reference to the calculation of the Special Tax Prepayment amount in the Rate and Method) shall be transferred on the Business Day prior to the redemption date by the Fiscal Agent to the Bond Fund to be applied to the redemption of the Bonds pursuant to the Agreement.

Moneys in the Reserve Fund shall be invested in accordance with the Agreement. Interest earnings and profits resulting from said investment shall be retained in the Reserve Fund and (to the extent the balance in the Reserve Fund is otherwise equal to or greater than the Reserve Requirement) may at any time be used, at the written direction of an Authorized Officer, for purposes of paying any rebate liability under the Agreement. Amounts not so used shall be transferred to the Bond Fund.

**Bond Fund.** A Bond Fund is established, as a separate fund to be held by the Fiscal Agent. Within the Bond Fund, the Fiscal Agent shall establish a separate account known as the Special Tax Prepayments Account.

Moneys in the Bond Fund and the accounts therein shall be held by the Fiscal Agent for the benefit of the Owners, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners.

Moneys in the Special Tax Prepayments Account shall be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption can timely be given for redemption of Bonds, and shall be used to redeem Bonds on the redemption date selected.

Moneys in the Bond Fund and the Special Tax Prepayments Account shall be invested in accordance with the Agreement as summarized herein under the heading "INVESTMENTS." Interest earnings and profits resulting from the investment of amounts in the Bond Fund shall be retained in the Bond Fund and used for the purposes thereof. Interest earnings and profits resulting from the investment of amounts in the Special Tax Prepayments Account shall be retained in the Special Tax Prepayments Account and used for the purposes thereof.

**Special Tax Fund.** A Special Tax Fund is established, as a separate fund to be held by the Fiscal Agent, to the credit of which the District will cause all Special Taxes received by the District to be deposited; provided that any proceeds of Special Tax Prepayments shall be transferred by an Authorized Officer to the Fiscal Agent for deposit by the Fiscal Agent in the Special Tax Prepayments Account established pursuant to the Agreement. Moneys in the Special Tax Fund shall be held by the Fiscal Agent for the benefit of the District and the Owners, shall be disbursed as provided below and, pending disbursement, shall be subject to a lien in favor of the Owners and the District.

The Fiscal Agent shall establish an account known as the Special Tax Remainder Account into which the Fiscal Agent shall make the deposits as set forth in the Agreement.

From time to time as needed to pay the obligations of the District, but no later than the Business Day before each Interest Payment Date, the Fiscal Agent shall withdraw from the Special Tax Fund and transfer the amounts and in the order of priority provided in the Agreement.

At any time following the deposit of Special Taxes in an amount sufficient to make payment of all of the foregoing deposits for the current Bond Year, any amounts in excess of such amounts remaining in the Special Tax Fund shall, upon the written direction of an Authorized Officer, be transferred by the Fiscal Agent to the Special Tax Remainder Account to be used for any lawful purpose under the Act and released upon the written direction of an Authorized Officer.

In the absence of such written direction, all amounts remaining in the Special Tax Fund on the 30th day of the succeeding Bond Year shall be retained in the Special Tax Fund and applied to the succeeding Bond Year's Annual Debt Service; provided however, that in no event shall such amounts be invested at a yield in excess of the yield on the Bonds.

Moneys in the Special Tax Fund shall be invested in accordance with the Agreement as summarized herein under the heading "INVESTMENTS." Interest earnings and profits resulting from such investment and deposit shall be retained in the Special Tax Fund to be used for the purposes thereof.

**Administrative Expense Fund.** An Administrative Expense Fund is established as a separate fund to be held by the Fiscal Agent to the credit of which deposits shall be made as required by the Agreement. Moneys in the Administrative Expense Fund shall be held by the Fiscal Agent for the benefit of the School District. Amounts in the Administrative Expense Fund shall be withdrawn by the Fiscal Agent and paid to the District upon receipt by the Fiscal Agent of requisition of an Authorized Officer 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.

Moneys in the Administrative Expense Fund shall be invested in accordance with the Agreement as summarized herein under the heading "INVESTMENTS." Interest earnings and profits resulting from said investment shall be retained by the Fiscal Agent in the Administrative Expense Fund to be used for the purposes thereof.

## **COVENANTS OF THE DISTRICT**

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

**Extension of Time for Payment.** In order to prevent any accumulation of claims for interest after maturity, the District shall 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 shall 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 is extended or funded, whether or not with the consent of the District, such claim for interest so extended or funded shall not be entitled, in case of default under the Agreement, to the benefits of the Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest that have not been so extended or funded.

**Against Encumbrances.** The District shall not encumber, pledge or place any charge or lien upon any of the Net Special Taxes or other amounts or funds pledged to the Bonds superior to or on a parity with the pledge and lien created in the Agreement for the benefit of the Bonds, except as permitted by the Agreement.

**Books and Records.** The District shall 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 shall be made of all transactions relating to the expenditure of amounts disbursed from the Administrative Expense Fund and the Special Tax Fund, and to the Net Special Taxes. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent and the Owners or their representatives duly authorized in writing.

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

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

**Further Assurances.** The District shall 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 Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Agreement.

## **Tax Covenants.**

*Generally.* The District shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, interest on the Bonds to become includable in gross income for federal income tax purposes.

*Private Activity Bond Limitation.* The District shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

*Federal Guarantee Prohibition.* The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

*No Arbitrage.* The District shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the Bond proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

*Rebate of Excess Investment Earnings.* The District shall calculate or cause to be calculated all amounts of excess investment earnings with respect to the Bonds which are required to be rebated to the United States of America under Section 148(f) of the Code, at the times and in the manner required under the Code. The District shall pay when due an amount equal to excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Code, such payments to be made from any source of legally available funds of the District. The District shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Bonds, records of the determinations made under the Agreement.

The Fiscal Agent has no duty to monitor the compliance by the District with any of the tax covenants contained in the Agreement.

**Continuing Disclosure to Owners.** The District covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Agreement, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered a default under the Agreement; however, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance by the District of its obligations thereunder, including seeking mandate or specific performance by court order.

**Reduction of Special Taxes.** The District shall not conduct or consent to proceedings with respect to a reduction in the maximum Special Taxes that may be levied in the District on Developed Property below an amount, for any Fiscal Year, equal to the Administrative Expense Requirement plus 110% of Annual Debt Service in such Fiscal Year. It is acknowledged that Owners are purchasing the Bonds in reliance on the foregoing covenant, and that said covenant is necessary to assure the full and timely payment of the Bonds.

**Limits on Special Tax Waivers and Bond Tenders.** The District covenants not to exercise its rights under the Act to waive delinquency and redemption penalties related to the Special Taxes or to declare a Special Tax penalties amnesty program if to do so would materially and adversely affect the

interests of Owners of the Bonds and further covenants not to permit the tender of Bonds in payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the District having insufficient Special Tax revenues to pay the principal of and interest on the Bonds remaining Outstanding following such tender, assuming Special Taxes are levied in the future, as provided under the Agreement.

**Modifications to the Rate and Method of Apportionment.** The District shall not initiate proceedings under the Act to modify the Rate and Method of Apportionment if such modification would adversely affect the security for the Bonds. If an initiative or referendum measure is proposed that purports to modify the Rate and Method of Apportionment in a manner that would adversely affect the security for the Bonds, the District shall, to the extent permitted by law, commence and pursue reasonable legal actions to prevent the modification of the Rate and Method of Apportionment in a manner that would adversely affect the security for the Bonds.

## **INVESTMENTS**

Moneys in any fund or account created or established by the Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Authorized Investments, as directed pursuant to the written direction of an Authorized Officer. In the absence of any such written direction, the Fiscal Agent shall invest, to the extent reasonably practicable, any such moneys in the Authorized Investment described in paragraph D of the definition thereof, and otherwise hold such amounts uninvested. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of the Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts.

Except as otherwise provided the Agreement, the District covenants that all investments of amounts deposited in any fund or account created by or pursuant to the 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 Agreement or the Code) at Fair Market Value.

Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code and (unless valuation is undertaken at least annually) investments in the Reserve Fund will be valued at their present value (within the meaning of section 148 of the Code).

## **LIABILITY OF THE DISTRICT**

The District shall incur no responsibility in respect of the Bonds or the Agreement other than in connection with the duties or obligations explicitly stated in the Agreement or in the Bonds assigned to or imposed upon it. The District shall not be liable in connection with the performance of its duties under the Agreement, except for its own negligence or willful default. The District shall 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 or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default or event of default thereunder.

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

No provision of the Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its obligations under the Agreement, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

### **MODIFICATION OR AMENDMENT OF THE AGREEMENT**

The Agreement and the rights and obligations of the District and of the Owners 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 60% in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, 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 (except as otherwise permitted by the Act, the laws of the State of California or the Agreement), or (iii) reduce the percentage of Bonds required for the amendment of the Agreement. Any such amendment may not modify any of the rights or obligations of the Fiscal Agent without its written consent.

The 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 any one or more of the following purposes:

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

(B) to make modifications not adversely affecting any outstanding series of Bonds of the District in any material respect;

(C) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Agreement, or in regard to questions arising under the Agreement, as the District and the Fiscal Agent may deem necessary or desirable, so long as the provisions are not inconsistent with the Agreement and do not adversely affect the rights of the Owners;

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

(E) to modify, alter or amend the Rate and Method of Apportionment of the Special Taxes in any manner so long as such changes do not reduce the maximum annual Special Taxes that may be levied in each year on Developed Property within the District to an amount which is less than the Administrative Expense Requirement plus 110% of Annual Debt Service due in each corresponding future Bond Year with respect to the Bonds Outstanding as of the date of such amendment.

## DISCHARGE OF AGREEMENT

The District has the option to pay and discharge the entire indebtedness on all or any portion of the Bonds Outstanding in any one or more of the following ways:

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

(B) by depositing with the Fiscal Agent, irrevocably, at or before maturity, money that, together with the amounts then on deposit in the funds and accounts provided for in the Agreement with respect to the Bond Fund and the Reserve Fund, is fully sufficient to pay such Bonds Outstanding, including all principal, interest and redemption premiums; or

(C) by irrevocably depositing with the Fiscal Agent, irrevocably, cash and Federal Securities in such amount as the District determines as confirmed by Bond Counsel or an independent certified public accountant, will, together with the interest to accrue thereon and moneys then on deposit in the fund and accounts provided for in the Agreement with respect to the Bond Fund and the Reserve Fund, 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 District takes any of the actions specified in (A), (B) or (C) above, and if such Bonds are to be redeemed prior to the maturity thereof and notice of such redemption has been given as provided in the Agreement or the District has made provision for the giving of such notice satisfactory to the Fiscal Agent, then, at the election of the District, and notwithstanding that any Bonds have not been surrendered for payment, the pledge of the Special Taxes and other funds provided for in the Agreement and all other obligations of the District under the Agreement with respect to such Outstanding Bonds shall cease and terminate. The District shall file notice of such election with the Fiscal Agent. Notwithstanding the foregoing, the District will still be obligated to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, all amounts owing to the Fiscal Agent and otherwise to assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Upon compliance by the District with the foregoing with respect to all Bonds Outstanding, any funds held by the Fiscal Agent after payment of all fees and expenses of the Fiscal Agent that are not required for the purposes of the preceding paragraph shall be paid over to the District and any Special Taxes thereafter received by the District shall not be remitted to the Fiscal Agent but shall be retained by the District to be used for any purpose permitted under the Act.

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## APPENDIX E

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The following description of the Depository Trust Company (as defined below), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest 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. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*The Community Facilities District, the School District and the Fiscal Agent take no responsibility for the information contained in this Section.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (in this Appendix, the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, 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 3.6 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](http://www.dtcc.com). *The information contained on such website is not incorporated herein by reference or otherwise.*

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds 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 the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Community Facilities District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Community Facilities District or Fiscal Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant

and not of DTC, the Fiscal Agent, or the Community Facilities District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Community Facilities District or Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Community Facilities District or Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

10. The Community Facilities District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor depository). In that event, Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Community Facilities District believes to be reliable, but the Community Facilities District takes no responsibility for the accuracy thereof.

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## APPENDIX F

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

**\$2,345,000**

### COMMUNITY FACILITIES DISTRICT NO. 2014-3 OF THE MURRIETA VALLEY UNIFIED SCHOOL DISTRICT 2019 SPECIAL TAX BONDS

This Continuing Disclosure Certificate (this “**Disclosure Certificate**”) is executed and delivered by Community Facilities District No. 2014-3 of the Murrieta Valley Unified School District (the “**Community Facilities District**”) in connection with the issuance of the bonds captioned above (the “**Bonds**”). The Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of January 1, 2019 (the “**Fiscal Agent Agreement**”), by and between the Murrieta Valley Unified School District (the “**School District**”), on behalf of the Community Facilities District, and Zions Bancorporation, National Association, as fiscal agent (the “**Fiscal Agent**”). The Community Facilities District hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Community Facilities District for the benefit of the owners and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5).

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

“*Annual Report*” means any Annual Report provided by the Community Facilities District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date that is six months after the end of the Community Facilities District’s fiscal year (currently December 31 based on the Community Facilities District’s fiscal year end of June 30).

“*Disclosure Representative*” means the Assistant Superintendent, Facilities, Operations & Technology or the Assistant Superintendent, Business Services of the School District, acting on behalf of the Community Facilities District, or his or her designee(s), or such other officer(s) or employee(s) as the Community Facilities District shall designate in writing to the Fiscal Agent from time to time.

“*Dissemination Agent*” means Cooperative Strategies, LLC or any successor Dissemination Agent designated in writing by the Community Facilities District and which has filed with the Community Facilities District a written acceptance of such designation.

“*EMMA System*” means the Electronic Municipal Market Access System of the MSRB (as defined below) or such other electronic system designated by the MSRB or the Securities and Exchange Commission for compliance with the Rule.

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

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule and any successor entity designated by the Securities and Exchange Commission as the repository for filings made pursuant to the Rule.

“*Official Statement*” means the final official statement dated January 16, 2019, executed by the Community Facilities District in connection with the issuance of the Bonds.

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

“*Rule*” means 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.

“*School District*” means Murrieta Valley Unified School District, Murrieta Valley, California.

### Section 3. Provision of Annual Reports.

(a) The Community Facilities District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing December 31, 2019, with the report for the 2018-19 fiscal year, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 business days prior to the Annual Report Date, the Community Facilities District shall provide the Annual Report to the Dissemination Agent (if other than the Community Facilities District). If by the Annual Report Date the Dissemination Agent (if other than the Community Facilities District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Community Facilities District to determine if the Community Facilities District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that audited financial statements (if any are prepared) of the Community Facilities District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date; provided that as set forth in Section 4(a)(1), unaudited financial statements shall be submitted once available in connection with filing the Annual Report prior to the Annual Report Date. For purposes of this section and Section 4(a), the financial statements of the School District shall not be deemed to be the financial statements of the Community Facilities District, unless such audited financial statements contain specific information as to the Community Facilities District, its revenues, expenses and account balances. If the Community Facilities District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the Community Facilities District does not provide, or cause the Dissemination Agent to provide to the MSRB through the EMMA System, an Annual Report by the Annual Report Date as required in subsection (a) above, the Dissemination Agent (or the Community Facilities District if there is no Dissemination Agent) shall provide to the MSRB in an electronic format as prescribed by the MSRB in a timely manner, a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic filing requirements and format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Community Facilities District, file a report with the Community Facilities District and the Participating Underwriter certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided and confirming that it has been filed with the MSRB through the EMMA System.

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

(a) The Community Facilities District does not currently prepare audited financial statements and it is not anticipated that the Community Facilities District will prepare audited financial statements in the future. If the Community Facilities District does prepare audited financial statements, the Community Facilities District's Annual Report shall contain or incorporate by reference such audited financial statements, if any, for the most recently completed fiscal year, prepared in accordance with Generally Accepted Accounting Principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If audited financial statements of the Community Facilities District are to be prepared, but are not available at the time required for filing, unaudited financial statements of the Community Facilities District shall be submitted with the Annual Report and the audited financial statements shall be submitted once available. As stated in Section 3(a), the financial statements of the School District shall not be deemed to be the financial statements of the Community Facilities District, unless such audited financial statements contain specific information as to the Community Facilities District, its revenues, expenses and account balances. If the School District's audited financial statements contain specific information as to the Community Facilities District, its revenues, expenses and account balances, the Community Facilities District's Annual Report shall contain or incorporate by reference such School District's audited financial statements and in such event, the School District's audited financial statements may be accompanied by a statement substantially to the following effect:

THE SCHOOL DISTRICT'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15c2-12. NO FUNDS OR ASSETS OF THE SCHOOL DISTRICT OR THE COMMUNITY FACILITIES DISTRICT OR THE SCHOOL DISTRICT OTHER THAN NET SPECIAL TAXES ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS, AND NEITHER THE COMMUNITY FACILITIES DISTRICT NOR THE SCHOOL DISTRICT IS OBLIGATED TO ADVANCE AVAILABLE FUNDS TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE SCHOOL DISTRICT IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

(b) To the extent audited financial statements are not provided or to the extent not included in audited financial statements provided, the following information as of the Annual Report Date (except as otherwise noted below):

(i) Total assessed value (per the Riverside County Assessor's records) of all parcels currently subject to the Special Tax within the Community Facilities District, showing the total assessed valuation for all land and the total assessed valuation for all improvements within of the Community Facilities District and

distinguishing between the assessed value of improved and unimproved parcels. Parcels are considered improved if there is an assessed value for the improvements in the Assessor's records.

- (ii) Information regarding the annual special taxes levied in the Community Facilities District (which is to include the maximum annual special tax and the actual annual special tax levy) in the current fiscal year, the amount collected with respect to the prior fiscal year, the total dollar amount of delinquencies in the Community Facilities District as of July 1 of the prior calendar year and, in the event that the total delinquencies within the Community Facilities District as of July 1 in the prior calendar year exceed 5% of the Special Tax for the applicable fiscal year, delinquency information for each owner responsible for more than \$10,000 in aggregate Special Tax payments, including the amounts of delinquencies, length of delinquency and status of any foreclosure with respect to each such owner.
- (iii) The amount of prepayments of the Special Tax with respect to the Community Facilities District for the prior Fiscal Year.
- (iv) A land ownership summary listing property owners responsible for more than 10% of the annual Special Tax levy, as shown on the Riverside County Assessor's last equalized tax roll prior to the September next preceding the Annual Report Date or a statement that there are no property owners responsible for more than 10% of the annual Special Tax levy, as shown on the Riverside County Assessor's last equalized tax roll prior to the September next preceding the Annual Report Date.
- (v) The principal amount of the Bonds outstanding and the balance in the Reserve Fund (along with a statement of the Reserve Requirement) as of a date within 60 days preceding the Annual Report Date.
- (vi) The balance in the Special Tax Fund and any other fund or account held under the Fiscal Agent Agreement as of a date within 60 days preceding the date of the Annual Report.
- (vii) An updated Table 5A in substantially the form of such table in the Official Statement entitled "Appraised Values and Value-to-Lien Ratios by Property Ownership" for the then current fiscal year, provided that assessed values shown on the Riverside County assessor's most recent equalized tax roll prior to the September next preceding the Annual Report Date may be substituted for appraised values and overlapping debt other than the Bonds need not be included in the table.
- (viii) Any changes to the Rate and Method of Apportionment of Special Tax for the Community Facilities District.
- (ix) A copy of the most recent annual information required to be filed by the Community Facilities District with the California Debt and Investment Advisory Commission pursuant to the Act and relating generally to outstanding Community Facilities District bond amounts, fund balances, assessed values, special tax delinquencies and foreclosure information.



(c) In addition to any of the information expressly required to be provided under paragraph (b) above, the Community Facilities District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading for purposes of applicable federal securities laws.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Community Facilities District or related public entities, which are available to the public on the MSRB's EMMA System or filed with the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Community Facilities District shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Listed Events.

(a) The Community Facilities District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the Community Facilities District or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the Community Facilities District or an obligated person, or the sale of all or substantially all of the assets of the Community Facilities District or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

- (14) Appointment of a successor or additional Fiscal Agent or the change of name of the Fiscal Agent, if material.

(b) If a Listed Event occurs, the Community Facilities District shall, or shall cause the Dissemination Agent (if not the Community Facilities District) to, file a notice of such occurrence with the MSRB through the EMMA System, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events regarding bond calls described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Fiscal Agent Agreement.

(c) The Community Facilities District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier “material” with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The Community Facilities District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the Community Facilities District determines the event’s occurrence is material for purposes of U.S. federal securities law. Upon occurrence of any of these Listed Events, the Community Facilities District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the Community Facilities District will cause a notice to be filed as set forth in paragraph (b) above.

For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Community Facilities District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Community Facilities District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Community Facilities District.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Community Facilities District’s obligations under this Disclosure Certificate shall terminate upon the earliest to occur of (i) the legal defeasance of the Bonds, (ii) prior redemption of the Bonds, (iii) payment in full of all of the Bonds, or (iv) upon delivery to the Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. If such termination occurs prior to the final maturity of the Bonds, the Community Facilities District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The Community Facilities District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent will be Cooperative Strategies, LLC.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Community Facilities District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by owners of the Bonds in the manner provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of owners, or (ii) does not, in the opinion of the Fiscal Agent or nationally recognized bond counsel, materially impair the interests of the owners or beneficial owners of the Bonds.

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

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Community Facilities District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed with the MSRB through the EMMA System in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Community Facilities District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Community Facilities District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Community Facilities District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Community Facilities District to comply with any provision of this Disclosure Certificate, the Participating 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 Community Facilities District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be

deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Community Facilities District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Community Facilities District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Community Facilities District, the Property Owner, the Fiscal Agent, the Bond owners or any other party. The obligations of the Community Facilities District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Community Facilities District, the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and owners and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Issuer:	Community Facilities District No. 2014-3 of the Murrieta Valley Unified School District 41870 McAlby Court Murrieta, California 92562 Attention: Assistant Superintendent, Facilities and Operations
To the Dissemination Agent:	Cooperative Strategies, LLC 8955 Research Drive Irvine, California 92618
To the Participating Underwriter:	Stifel, Nicolaus & Company, Incorporated 515 South Figueroa Street, Suite 1800 Los Angeles, California 90071 Attention: Public Finance

Any person may, by written notice to the other persons listed above, designate a different address to which subsequent notices or communications should be sent.

*[Remainder of Page Intentionally Left Blank]*

Section 15. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: January 31, 2019

COMMUNITY FACILITIES DISTRICT NO. 2014-3  
OF THE MURRIETA VALLEY UNIFIED SCHOOL  
DISTRICT

By: \_\_\_\_\_

William Olien,  
Assistant Superintendent,  
Facilities/Operational Services  
Murrieta Valley Unified School District, on behalf  
of Community Facilities District No. 2014-3  
of the Murrieta Valley Unified School District

AGREED AND ACCEPTED:  
Cooperative Strategies, LLC,  
as Dissemination Agent

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Community Facilities District No. 2014-3 of the  
Murrieta Valley Unified School District  
(the “**Community Facilities District**”)

Name of Bond Issue: Community Facilities District No. 2014-3 of the  
Murrieta Valley Unified School District 2019 Special Tax Bonds

Date of Issuance: January 31, 2019

NOTICE IS HEREBY GIVEN that the Community Facilities District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated January 31, 2019, executed by the Community Facilities District and countersigned by Cooperative Strategies, LLC, as dissemination agent. The Community Facilities District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

COOPERATIVE STRATEGIES, LLC

By: \_\_\_\_\_  
Its: \_\_\_\_\_

## APPENDIX G

### FORM OF OPINION OF BOND COUNSEL

January 31, 2019

Board of Education  
Community Facilities District No. 2014-3 of the  
Murrieta Valley Unified School District  
41870 McAlby Court  
Murrieta, California 92562

**OPINION:** \$2,345,000 Community Facilities District No. 2014-3 of the  
Murrieta Valley Unified School District 2019 Special Tax Bonds

Members of the Board:

We have acted as bond counsel to Murrieta Valley Unified School District (the "School District"), the Board of Education of which (the "Board") acts as the legislative body of Community Facilities District No. 2014-3 of the Murrieta Valley Unified School District (the "Community Facilities District"), in connection with the issuance by the Community Facilities District of the special tax bonds captioned above, dated the date hereof (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being sections 53311 et seq. of the California Government Code (the "Act"), a resolution of the Board adopted on December 13, 2018 (the "Resolution"), and a Fiscal Agent Agreement dated as of January 1, 2019 (the "Fiscal Agent Agreement"), between the Community Facilities District and Zions Bancorporation, National Association, as Fiscal Agent (the "Fiscal Agent"). Under the Fiscal Agent Agreement, the Community Facilities District has pledged certain revenues ("Net Special Taxes") for the payment of principal, premium (if any) and interest on the Bonds when due.

Regarding questions of fact material to our opinion, we have relied on representations of the School District and the Community Facilities District contained in the Resolution and in the Fiscal Agent Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Community Facilities District is a community facilities district duly created and validly existing under the Constitution and the laws of the State of California with the power to adopt the Resolution, enter into the Fiscal Agent Agreement and perform the agreements on its part contained therein, and issue the Bonds.

2. The Fiscal Agent Agreement has been duly authorized, executed and delivered by the Community Facilities District, and constitutes a valid and binding obligation of the Community Facilities District, enforceable against the Community Facilities District.

3. The Fiscal Agent Agreement creates a valid lien on the Net Special Taxes and other funds pledged by the Fiscal Agent Agreement for the security of the Bonds, on a parity with other bonds (if any) to be issued under the Fiscal Agent Agreement.

4. The Bonds have been duly authorized and executed by the Community Facilities District, and are valid and binding limited obligations of the Community Facilities District, payable solely from the Net Special Taxes and other funds provided therefor in the Fiscal Agent Agreement.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the Community Facilities District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Community Facilities District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

6. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Fiscal Agent Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation



**APPENDIX H**

**COMMUNITY FACILITIES DISTRICT BOUNDARY MAP**

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BOUNDARY MAP OF PROPOSED  
MURRIETA VALLEY UNIFIED SCHOOL DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 2014-3  
RIVERSIDE COUNTY  
STATE OF CALIFORNIA



LEGEND

	Boundaries of Proposed Community Facilities District 2014-3
nnn-010-026	Riverside County Assessor's Parcel Number

Dolinka Group LLC

(1) Filed in the office of the Clerk of the Governing Board of the Murrieta Valley Unified School District this 14<sup>th</sup> day of August, 2014

Barbara J Muir  
Clerk of the Governing Board

(2) I hereby certify that the within map showing the proposed boundaries of Community Facilities District No. 2014-3 of the Murrieta Valley Unified School District, Riverside County, State of California, was approved by the Governing Board of the Murrieta Valley Unified School District at a regular meeting thereof, held on this 14<sup>th</sup> day of August, 2014 by its Resolution No. 14/15-03.

Barbara J Muir  
Clerk of the Governing Board

(3) Filed this 26<sup>th</sup> day of August, 2014, at the hour of 4:44 o'clock Pm, in Book 77 of Maps of Assessment and Community Facilities Districts at page 50 and as Instrument No. 2014-0324182 in the office of the County Recorder of Riverside County, State of California **Fee: \$100.00**

Sophia June Deputis  
County Recorder of Riverside County  
Larry W. Ward

Reference is hereby made to the Assessor maps of the County of Riverside for an exact description of the lines and dimensions of each lot and parcel.