

NEW ISSUE – BOOK-ENTRY ONLY

NOT RATED

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Community Facilities District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2021 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2021 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2021 Bonds. See “CONCLUDING INFORMATION – Tax Matters” herein.*

\$6,175,000\*

**CITY OF RANCHO MIRAGE COMMUNITY FACILITIES DISTRICT NO. 4B  
(DEL WEBB PROJECT)  
SPECIAL TAX BONDS, SERIES 2021**

**Dated: Date of Delivery****Due: September 1, as shown on inside cover**

The City of Rancho Mirage Community Facilities District No. 4B (Del Webb Project) Special Tax Bonds, Series 2021 (the “Series 2021 Bonds”), are being issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (constituting Section 53311, *et seq.*, of the California Government Code) (the “Act”) and an Indenture (the “Indenture”), dated as of April 1, 2021, by and between City of Rancho Mirage Community Facilities District No. 4B (Del Webb Project) (the “Community Facilities District”) and U.S. Bank National Association, as trustee (the “Trustee”).

Proceeds of the Series 2021 Bonds will be used (i) to pay the costs of the acquisition of certain public facilities (the “Facilities”) necessary for the development of the Community Facilities District, (ii) to fund a reserve fund for the Bonds, and (iii) to pay the costs of issuing the Series 2021 Bonds. The Series 2021 Bonds are payable from Net Special Tax Revenues derived from the levy of the Special Taxes (as such capitalized terms are defined in the Indenture) on real property located within the boundaries of the Community Facilities District and are secured by a pledge of all of the Net Special Tax Revenues and moneys deposited in certain funds established under the Indenture. Pursuant to the Indenture, additional bonds (“Additional Bonds”) solely for refunding purposes payable from Net Special Tax Revenues on parity with the Series 2021 Bonds may be issued by the District, as described in this Official Statement. The Series 2021 Bonds and any such Additional Bonds are collectively referred to as the “Bonds.”

The Series 2021 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Series 2021 Bonds will be delivered in fully registered form only, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Series 2021 Bonds. Ownership interests in the Series 2021 Bonds may be purchased in book-entry form only. Purchasers will not receive bonds or certificates representing their interest in the Series 2021 Bonds purchased. Payments of principal of and interest on the Series 2021 Bonds will be payable by the Trustee to DTC, which is obligated in turn to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2021 Bonds, as more fully described in this Official Statement. See APPENDIX F – “DTC AND THE BOOK ENTRY SYSTEM” herein. Interest on the Series 2021 Bonds is payable March 1 and September 1 of each year, commencing September 1, 2021.

The Series 2021 Bonds are subject to optional redemption, mandatory redemption from prepayments of Special Tax, and mandatory sinking fund redemption, all as more fully described in this Official Statement. See “THE SERIES 2021 BONDS – Redemption.”

**All obligations of the Community Facilities District under the Series 2021 Bonds are special obligations of the Community Facilities District, payable solely from Net Special Tax Revenues and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Community Facilities District (except to the limited extent set forth in the Indenture), the City of Rancho Mirage, the County of Riverside, or the State of California, or any political subdivision thereof, is pledged to the payment of the Series 2021 Bonds.**

This cover page contains certain information for quick reference only. It is not a complete summary of the terms of this bond issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Series 2021 Bonds. See the section of this Official Statement entitled “SPECIAL RISK FACTORS” for a discussion of certain risk factors that should be considered, in addition to the other matters discussed herein, in considering the investment quality of the Series 2021 Bonds.

*The Series 2021 Bonds are being offered when, as and if issued by the Community Facilities District, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Community Facilities District by the City Attorney and by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Disclosure Counsel, and for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. Delivery of the Series 2021 Bonds is expected to occur through the facilities of DTC on or about April \_\_, 2021.*

STIFEL

Dated April \_\_, 2021

\* Preliminary, subject to change.

**MATURITY SCHEDULE\***

CITY OF RANCHO MIRAGE COMMUNITY FACILITIES DISTRICT NO. 4B  
(DEL WEBB PROJECT)  
SPECIAL TAX BONDS, SERIES 2021

\$\_\_\_\_\_ Serial Bonds; CUSIP No. Prefix: \_\_\_\_\_<sup>†</sup>

Maturity Date (September 1)	Principal Amount	Interest Rate	Price	CUSIP No. Suffix <sup>†</sup>
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				

\$\_\_\_\_\_ % Term Bonds due September 1, 20\_\_ – Price \_\_\_\_\_% CUSIP No. \_\_\_\_\_<sup>†</sup>  
 \$\_\_\_\_\_ % Term Bonds due September 1, 2051 – Price \_\_\_\_\_% CUSIP No. \_\_\_\_\_<sup>†</sup>

\* Preliminary, subject to change.

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of American Bankers Association by S&P Capital IQ. Copyright© 2021 CUSIP Global Services. All rights reserved. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. The Community Facilities District, the City, the Municipal Advisor and the Underwriter assume no responsibility for the accuracy of such CUSIP® numbers.

**CITY OF RANCHO MIRAGE**

**CITY COUNCIL**

G. Dana Hobart, *Mayor*  
Ted Weill, *Mayor Pro Tem*  
Richard W. Kite, *Councilmember*  
Iris Smotrich, *Councilmember*  
Charles Townsend, *Councilmember*

Isaiah Hagerman, *City Manager*  
Kofi Antobam, *Director of Administrative Services*  
Kristie Ramos, *City Clerk*  
Steven B. Quintanilla, *City Attorney*

**PROFESSIONAL SERVICES**

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Los Angeles, California

***Disclosure Counsel***

Orrick, Herrington & Sutcliffe LLP  
Los Angeles, California

***Municipal Advisor***

Columbia Capital Management, LLC  
Glendale, California

***Appraiser***

Kitty Siino & Associates, Inc.  
Tustin, California

***Special Tax Consultant***

Willdan Financial Services  
Temecula, California

***Trustee***

U.S. Bank National Association  
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the Community Facilities District or the Underwriter to give any information or to make any representations with respect to the Series 2021 Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Community Facilities District or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2021 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2021 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, are intended solely as such and are not to be construed as representations of fact.

The information set forth in this Official Statement has been obtained from the Community Facilities District, the City of Rancho Mirage and other sources which are believed to be reliable, but it 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 and under federal securities laws, as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information and expressions of opinions in this Official Statement are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no changes in the affairs of the Community Facilities District since the date hereof. All summaries of the Indenture or other documents are made subject to the provisions of such documents, and do not purport to be complete statements of any or all of such provisions.

This Official Statement is submitted in connection with the sale of the Series 2021 Bonds and may not be reproduced or used, in whole or in part, for any other purpose.

In connection with the offering of the Series 2021 Bonds, the Underwriter may effect transactions which stabilize or maintain the market price of the Series 2021 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2021 Bonds to certain dealers and dealer banks and banks acting as agent at prices lower than the public offering price stated on the inside cover page hereof. The public offering price may be changed from time to time by the Underwriter. CUSIP data included in this Official Statement is subject to Copyright 2021, American Bankers Association. CUSIP data included in this Official Statement is provided by the Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. and is provided for convenience of reference only. None of the Community Facilities District, the Municipal Advisor or the Underwriter take any responsibility for the accuracy of such numbers.

The City maintains a website. However, the information presented on that website is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Series 2021 Bonds.

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San Francisco

Nevada

Utah

California

Las Vegas

Rancho Mirage

Arizona

San Diego

Phoenix

## OFFICIAL STATEMENT

**\$6,175,000\***

**CITY OF RANCHO MIRAGE COMMUNITY FACILITIES DISTRICT NO. 4B  
(DEL WEBB PROJECT)  
SPECIAL TAX BONDS, SERIES 2021**

### INTRODUCTION

#### General

This Official Statement, including the cover page, inside cover page and appendices hereto, sets forth certain information concerning the issuance by City of Rancho Mirage Community Facilities District No. 4B (Del Webb Project) (the “Community Facilities District”), of its City of Rancho Mirage Community Facilities District No. 4B (Del Webb Project) Special Tax Bonds, Series 2021 (the “Series 2021 Bonds”). The Series 2021 Bonds are being issued under the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (constituting Section 53311 *et seq.* of the California Government Code) (the “Act”), a Resolution adopted by the Rancho Mirage City Council (the “City Council”) on April 1, 2021 and an Indenture, dated as of April 1, 2021 (the “Indenture”), between the Community Facilities District and U.S. Bank National Association, as trustee (the “Trustee”).

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, this entire Official Statement, including the cover page, inside cover page and appendices hereto, and the documents summarized or otherwise described in this Official Statement. A full review should be made of this entire Official Statement and such documents prior to making an investment in the Series 2021 Bonds. The sale and delivery of the Series 2021 Bonds to potential investors is made only by means of the entire Official Statement.

Capitalized terms used in this Official Statement and not otherwise defined herein have the meanings given to them in the Indenture. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

#### The City and the Community Facilities District

**The City.** The City of Rancho Mirage (the “City”) is located in the County of Riverside, California (the “County”), approximately 116 miles southeast of Los Angeles and 12 miles southeast of Palm Springs. It is in the center of the resort area making up the northwestern portion of the Coachella Valley. The population of the City has increased approximately 11% from 2010 through 2020.

The City operates under the Council-Manager form of government. The five City Council members, including the Mayor, are elected at large to four-year terms on alternate slates every two years. The Mayor, appointed every year by the City Council from among its members on a rotational basis, serves a one-year term, presides over the meetings and has one vote. The City Council also serves as the Governing Board of the Agency, the Housing Authority, the Library, and the Joint Powers Financing Authority. The City Council appoints a City Manager, the City Attorney and the City Clerk.

Under the Act, the City Council of the City is authorized to establish and act as the legislative body for community facilities districts. However, the City has no liability in connection with the

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\* Preliminary, subject to change.

Community Facilities District or the Series 2021 Bonds. See “SECURITY FOR THE BONDS – Limited Liability” herein. For additional information, see also, APPENDIX C – “CITY OF RANCHO MIRAGE ECONOMIC AND DEMOGRAPHIC INFORMATION.”

***The Community Facilities District.*** The Community Facilities District is proposed for 307 single-family detached residences within the City as described herein. The Community Facilities District consists of the second phase (sometimes referred to as Phase II herein) of Del Webb at Rancho Mirage, a master planned community proposed for 1,029 detached, age-qualified homes. The first phase, which is not included in the Community Facilities District (sometimes referred to as Phase I herein) is sold out (total of 344 proposed homes), with the exception of the 10 model homes and 24 final build-out lots which have not yet been released.

The Community Facilities District consists of approximately 87 gross acres of irregularly shaped land located one mile south of the I-10 freeway and 0.25 miles west of Bob Hope Drive in the City of Rancho Mirage in the area known as the Coachella Valley in eastern Riverside County, California. The Community Facilities District is bounded by the existing Phase I to the south beyond which is Dinah Shore Drive and the Westin Mission Hills Golf Resort and Spa; undeveloped desert land to the east (beyond which is Bob Hope Drive); undeveloped desert land to the north (beyond which is Ramon Road and I-10); and, Los Alamos Road to the west (beyond which is the Mission Hills Golf Course residential community). There is a gas station under construction at the southwest corner of Bob Hope Drive and Ramon Road which is slated to be the Agua Caliente Gas Station. The surrounding uses include golf courses, residences, a golf resort and spa, undeveloped desert lands and the Agua Caliente Resort Casino, northeast of the subject site at the northeast corner of Bob Hope Drive and Ramon Road. The site was generally level at surrounding street grade of Los Alamos Road and Dinah Shore Drive.

The approximately 87 gross acres has been developed into 307 single family detached residential lots, with surrounding infrastructure generally in place. These approximately 87 gross acres represent approximately one-third of an approximately 313 gross acre residential development known as “Del Webb at Rancho Mirage” (the “Development”). The Development is located within the City and proposed to contain 1,029 age qualified single family detached residential units at completion. The Development encompasses Planning Area 8 of the Section 24 Specific Plan (as described in this Official Statement and in the Appraisal as defined herein “Planning Area 8”). The 1,029 residential lots that are expected to comprise the Development are anticipated to include 307 lots in the Community Facilities District, 344 lots in community facilities district number 4A (“CFD No. A”), and an estimated 378 lots in proposed community facilities district number 4C (“CFD No. 4C”) on lands adjacent to the Community Facilities District.

***This Official Statement describes only the development and status of development of the 307 properties in the Community Facilities District. Principal of and interest on the Series 2021 Bonds are payable solely from Special Taxes levied within the Community Facilities District, as further described in this Official Statement.***

***District Formation.*** Under the Act, the City Council is authorized to establish a community facilities district and act as the legislative body for the district. Subject to approval by a two-thirds vote of the qualified electors voting, and compliance with the provisions of the Act, the City Council, acting as the legislative body of a community facilities district, may authorize the issuance of bonds by such district, and the levy and collection of a special tax within such district (and/or one or more improvement areas within such district), to repay such indebtedness.

Pursuant to the Act, on July 18, 2019, the City Council adopted its Resolution No. 2019-40 stating its intention to establish the Community Facilities District. On September 5, 2019, the City

Council adopted its Resolution No. 2019-44 establishing the Community Facilities District (the “Resolution of Formation”), its Resolution No. 2019-45 deeming it necessary to incur bonded indebtedness in an aggregate principal amount not to exceed \$7,000,000 for the Community Facilities District, and its Resolution No. 2019-46 calling a special election within the Community Facilities District. The qualified electors within the Community Facilities District voted in favor of, among other things, the incurrence of bonded indebtedness in a principal amount not to exceed \$7,000,000 to finance certain infrastructure and other improvements (the “Facilities”) to be owned by the City or the Coachella Valley Water District, County of Riverside, State of California, a public agency of the State of California (“CVWD”), as authorized to be financed by the Special Tax.

### **Special Tax Levy**

At the time of formation of the Community Facilities District, the qualified electors also voted in favor of the levy of a Special Tax (“Special Tax”) on certain property in the Community Facilities District, to pay, among other things, the principal of and interest on bonds (including the Series 2021 Bonds) to be issued to finance a portion of the Facilities, to pay administrative expenses of the Community Facilities District, and to make any replenishments to the Reserve Fund consistent with the Rate and Method of Apportionment of Special Tax (the “Rate and Method”). The Rate and Method also provides for the levy of an additional tax (the “Backup Special Tax”) in certain specified circumstances in order to assure maintenance of the required debt service coverage ratio on indebtedness payable from Special Tax. See “SECURITY FOR THE BONDS – Backup Special Tax.” See APPENDIX A – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” The Special Taxes are levied pursuant to Ordinance No. 1154, adopted by the City Council on September 19, 2019 (the “Ordinance”). See “THE COMMUNITY FACILITIES DISTRICT – Rate and Method of Apportionment of Special Tax,” and “– The Facilities” herein.

### **Application of Proceeds of the Series 2021 Bonds**

Proceeds of the Series 2021 Bonds will be used (i) to pay the costs of the acquisition of certain public facilities (the “Facilities”) necessary for the development of the Community Facilities District, (ii) to fund a reserve fund for the Bonds, and (iii) to pay the costs of issuing the Series 2021 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS,” and “THE COMMUNITY FACILITIES DISTRICT – The Facilities.”

### **The Development and the Developer**

As previously mentioned, the Community Facilities District comprises approximately 87 acres or approximately one-third of the larger Development to be completed within Planning Area 8, which is a portion of the Agua Caliente Band of Cahuilla Indians Section 24 Specific Plan (“Section 24 SP”). Section 24 SP is bounded to the north by Ramon Road beyond which are undeveloped lands and I-10; to the east by Bob Hope Drive beyond which is the Agua Caliente Casino and Resort/Spa and vacant lands; to the south by Dinah Shore Drive beyond which is the Westin Mission Hills Golf Resort, Spa and Villas; and to the west by Los Alamos Road beyond which is the Gary Player Signature Golf Course. As a result of the purchase of Planning Area 8 by the Developer (defined below), the Agua Caliente Band of Cahuilla Indians no longer has any ownership or jurisdictional or land use approval rights with regard to the Development.

The 87 gross acres has been developed into 307 single family residential detached lots with surrounding infrastructure generally in place. The internal streets are generally physically complete with utilities stubbed to each lot. No commercial development will be included within the boundaries of the Community Facilities District. The Development is located in the central portion of the County in the

area known as the Coachella Valley which includes the cities of Palm Springs, Desert Hot Springs, Cathedral City, Rancho Mirage, Palm Desert, Indian Wells, Indio, La Quinta, and Coachella along with unincorporated areas of Thousand Palms, Thermal, Sky Valley, Happy Valley, Sun City and Bermuda Dunes. More specifically, the Development is located in the northern portion of the City of Rancho Mirage, just south of Interstate 10 (“I-10”) at Bob Hope Drive.

The developer/builder is Pulte Home Company, LLC a Michigan limited liability company (the “Developer”), an indirect wholly-owned subsidiary of PulteGroup, Inc., a Michigan corporation (the “Parent Entity”). The Developer entity serves as the owner and homebuilder of projects within and outside of the Community Facilities District and has financed its land acquisition and various site development and home construction costs related to its projects, including the property in the Community Facilities District, with cash generated from its home building operations and, where necessary, internal corporate financing from its Parent Entity. The Developer expects to finance its remaining site development and home construction costs utilizing these same sources. See “THE COMMUNITY FACILITIES DISTRICT” and “THE DEVELOPMENT AND THE DEVELOPER – The Developer.”

The Developer is building out three neighborhoods, all for residents age 55+ years, consisting of a total of ten home plans within the Community Facilities District. Within the Community Facilities District, as of February 10, 2021, which is the effective date of valuation (the “Date of Value”) of the Appraisal (see “– Appraised Value,” below), of the 307 planned residential lots subject to the Special Tax levy in the Community Facilities District, 164 have completed homes constructed thereon and have been conveyed to individuals, 23 have homes that are over 95 percent complete (all in escrow and due to close upon completion) and 120 are remaining lots (59 with homes under construction and 93 in escrow). In short, of the 307 proposed residential lots for development, the Developer (as defined below) has sold 280 and closed 164 as of the Date of Value. As of the Date of Value, 41 building permits remained to be pulled and 27 lots remain to be sold. Between the Date of Value and March 26, 2021, an additional 34 building permits were issued, and an additional 28 residential units had been conveyed to individual homeowners. In total, 192 residential units have been conveyed to individual homeowners as of March 26, 2021 and the remaining 115 are in escrow to individual home buyers. Homes sold may not result in closed escrows as sales contracts are subject to cancellation.

Within the Community Facilities District, home plans range from approximately 1,438 to approximately 2,726 square feet with base pricing as of February 10, 2021 ranging from approximately \$408,000 to approximately \$637,000. Base prices are subject to change at any time by the Developer and are exclusive of any premiums, options, upgrades, incentives, and any selling concessions or price reductions being offered. Planned amenities for the Development include a clubhouse known as “The Outlook.” The clubhouse complex includes the clubhouse, a putting green, an event lawn, both a covered and an outdoor pool, an in-ground spa, pickleball courts, tennis courts and bocce ball courts. Within the clubhouse is a great room/bar, a ballroom, a billiards room, a golf simulator room, a multi-purpose room, a fitness gym and an aerobics room along with ancillary buildings including a kitchen and bathrooms.

***The Series 2021 Bonds are special obligations of the Community Facilities District, payable solely from Net Special Tax Revenues derived from property within the Community Facilities District and amounts in certain funds established under the Indenture, as more fully described in this Official Statement.***

The Facilities eligible to be financed with the Series 2021 Bond proceeds consist of street facilities, storm control facilities, dry utility facilities, including but not limited to electrical lines, undergrounding, pole relocation, incidental expenses, and appurtenant facilities, including fees to finance such facilities; and CVWD improvements including sewer improvements, sanitary sewers, incidental expenses, and appurtenant facilities, fees to finance such facilities and domestic water facilities, and

connection and capacity fees, including but not limited to sewer treatments and connection fees, water supply fees, water meter fees, water connection fees, and any other capital facilities fees which are part of these fee programs and capital improvement programs, and other public improvements located within, or designed to provide services to, the Community Facilities District. Facilities also include certain development and other fees charged to the Developer by the City and other public agencies, and for which the Developer may be reimbursed including City public benefit fees, including but not limited to traffic signals fees, bus shelter fees, City Hall / Corporate Yard fees, fire fees, park fees, and other required capital facilities' fees.

Pursuant to the Acquisition and Funding Agreement dated as of April 1, 2018 (the "Acquisition and Funding Agreement"), by and between the City and the Developer, the Facilities specified therein are to be constructed by the Developer, and are to be acquired by the Community Facilities District when such Facilities are operational, such Facilities as described in this Official Statement to be paid from the proceeds of the Series 2021 Bonds. The Developer becomes eligible for reimbursement of the costs related to the Facilities when they are accepted. See "THE COMMUNITY FACILITIES DISTRICT – The Facilities."

### **Description of the Series 2021 Bonds**

The Series 2021 Bonds will be issued and delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to purchasers of the Series 2021 Bonds (the "Beneficial Owners") in denominations of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described in this Official Statement. See "THE SERIES 2021 BONDS – Description of the Series 2021 Bonds" and APPENDIX F – "DTC AND THE BOOK ENTRY SYSTEM." *So long as the Series 2021 Bonds are in book-entry-only form, all references in the Official Statement to the owners or holders of the Series 2021 Bonds shall mean DTC and not the Beneficial Owners of the Series 2021 Bonds.*

The Series 2021 Bonds are subject to optional redemption and mandatory redemption as described in this Official Statement. For more complete descriptions of the Series 2021 Bonds and the Indenture pursuant to which they are being issued and delivered, see "THE SERIES 2021 BONDS" and APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

### **Sources of Payment for the Series 2021 Bonds**

Under the Indenture, the Series 2021 Bonds are payable from, and secured by a pledge of and lien on, the Net Special Tax Revenues and amounts held in the Special Tax Fund, the Bond Fund, the Redemption Fund, and the Reserve Fund of the Indenture. The term "Net Special Tax Revenues" means Special Tax Revenues, less amounts required to pay Priority Administrative Expenses. "Special Taxes" consist of any special tax levied within the Community Facilities District pursuant to the Act and the Rate and Method. The term "Special Tax Revenues" means the proceeds of the Special Taxes received by or on behalf of the Community Facilities District, including any prepayments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes, which shall be limited to the amount of said lien and interest and penalties thereon. Under the Indenture, the Community Facilities District has agreed to repay the Series 2021 Bonds from the Net Special Tax Revenues collected and received by the Community Facilities District, and from amounts on deposit in certain funds established under the Indenture. See "SECURITY FOR THE BONDS" and APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Pursuant to the Indenture, additional bonds (“Additional Bonds”) solely for refunding purposes payable from Net Special Tax Revenues on parity with the Series 2021 Bonds may be issued by the District, as described in this Official Statement. The Series 2021 Bonds and any such Additional Bonds are collectively referred to as the “Bonds.” See “SECURITY FOR THE BONDS – Additional Bonds for Refunding Only” and APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

In the event that the Special Taxes are not paid when due, the only other source of funds to repay the Series 2021 Bonds will be the amounts held by the Trustee in certain of the funds established under the Indenture, including amounts held in the Reserve Fund, and the proceeds, if any, from foreclosure sales of land with delinquent Special Taxes. A portion of the proceeds of the Series 2021 Bonds equal to the initial Reserve Requirement will be deposited in the Reserve Fund, which may be drawn upon as needed to pay the scheduled debt service on the Bonds, in accordance with the provisions of the Indenture. Amounts in the Reserve Fund may also be used to redeem Bonds in conjunction with the prepayments of Special Tax, and to pay rebate payments to the federal government. See “SECURITY FOR THE BONDS – Reserve Fund” and APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Resolution No. 2019-44 of the City Council provides that Bonds payable from Special Taxes may be issued in an amount not to exceed \$7,000,000.

### **Appraised Value**

In connection with the offering and sale of the Series 2021 Bonds, an Appraisal Report (the “Appraisal”) was prepared by Kitty Siino & Associates, Inc. (the “Appraiser”), dated March 23, 2021, with a Date of Value of February 10, 2021. According to the Appraisal, as of the Date of Value, the aggregate value of the residential property subject to the Special Tax in the Community Facilities District was \$110,143,592, of which \$20,862,743 represented land owned by the Developer, \$9,218,237 represented completed homes owned by the Developer and \$80,062,612 represented property owned by individual homeowners. The Appraisal contain various assumptions and conditions and should be read in its entirety by those interested in an investment in the Series 2021 Bonds. A complete copy of the Appraisal is attached hereto as APPENDIX B – “APPRAISAL REPORT.” See “SECURITY FOR THE BONDS – Appraised Value” for various tables indicating value-to-lien ratios by development status and product type of the homes permitted and expected to be constructed in the Community Facilities District.

### **Continuing Disclosure**

The Community Facilities District, pursuant to a Continuing Disclosure Agreement (the “Community Facilities District Continuing Disclosure Agreement”), and the Developer, pursuant to a Continuing Disclosure Agreement (the “Developer Continuing Disclosure Agreement”), have each agreed to provide, or cause to be provided, to the Electronic Municipal Market Access (“EMMA”) maintained by the Municipal Securities Rulemaking Board, certain annual financial and other information and notice of certain enumerated events. The Developer has also agreed to provide additional semiannual financial and other information. The Community Facilities District Continuing Disclosure Agreement is being executed by the Community Facilities District in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission, as amended (the “Rule”). The Developer Continuing Disclosure Agreement shall terminate at such time as the Developer and its Affiliates (as defined in the Continuing Disclosure Agreement), in the aggregate, own less than 69 or 20% of the residential lots within the Community Facilities District. In addition, the Developer Continuing Disclosure Agreement may terminate in certain other circumstances, as described in the Developer Continuing Disclosure Agreement. See “CONCLUDING INFORMATION – Continuing Disclosure,”

APPENDIX G – “FORM OF DISTRICT CONTINUING DISCLOSURE AGREEMENT” and APPENDIX H – “FORM OF DEVELOPER CONTINUING DISCLOSURE AGREEMENT.”

### **Risk Factors**

The purchase of the Series 2021 Bonds involves certain risks which should be considered by prospective purchasers. See “SPECIAL RISK FACTORS” herein for a description of certain such risks.

### **Limited Liability**

Although the unpaid Special Taxes constitute liens on parcels within the Community Facilities District, they do not constitute a personal indebtedness of the Developer or any other property owners or homeowners. There is no assurance that the Developer or any other landowner will be financially able to pay the Special Taxes levied on their property in the Community Facilities District, or that they will pay the Special Taxes even though financially able to do so.

**All obligations of the Community Facilities District under the Series 2021 Bonds are special obligations of the Community Facilities District, payable solely from Net Special Tax Revenues and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Community Facilities District (except to the limited extent set forth in the Indenture), the City, the County, or the State of California, or any political subdivision thereof, is pledged to the payment of the Series 2021 Bonds.**

### **Professionals Involved in the Offering**

Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, is acting as Bond Counsel to the Community Facilities District. Certain legal matters will be passed upon for the Community Facilities District by the City Attorney, and by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, acting as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Underwriter’s Counsel. Columbia Capital Management, LLC, Glendale, California, will serve as the Community Facilities District’s Municipal Advisor. Payment of the fees and expenses of Bond Counsel, Disclosure Counsel and Underwriter’s Counsel is contingent upon the sale and issuance of the Series 2021 Bonds.

The Appraisal was prepared by the Appraiser and includes a summary absorption analysis of the 23 Developer-owned homes as part of the Appraisal. The firm of Willdan Financial Services, Temecula, California, is the Special Tax Consultant to the Community Facilities District for the financing. Willdan Financial Services will also serve as the initial dissemination agent under the Continuing Disclosure Agreements.

### **Additional Information**

Brief descriptions of the Series 2021 Bonds, the security for the Series 2021 Bonds, certain special risk factors, the Community Facilities District, the City, the Developer, the development within the Community Facilities District and other information are included in this Official Statement, together with summaries of certain provisions of the Series 2021 Bonds, the Indenture and other documents. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the Series 2021 Bonds, resolutions and other documents are qualified in their entirety by reference to the complete text thereof and the information with respect thereto included in the Indenture. All such descriptions are further qualified in their entirety by reference to laws and principles of equity relating to or affecting generally the enforcement of creditors’ rights.

Unless the context clearly requires otherwise, capitalized terms used but not defined in this Official Statement have the meanings given to them in the Indenture, some of which are set forth in APPENDIX D hereto.

### ESTIMATED SOURCES AND USES OF FUNDS

The sources and uses of funds in connection with the Series 2021 Bonds are estimated to be applied as follows:

Source of Funds

Principal Amount of Series 2021 Bonds

Plus: Net Original Issue Premium

Less: Underwriter's Discount

Total Sources

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Application of Funds

Deposit to Improvement Fund<sup>(1)</sup>

Deposit to Reserve Fund<sup>(2)</sup>

Deposit to Costs of Issuance Fund<sup>(3)</sup>

Total Uses

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- 
- (1) To be used, together with other Special Tax Revenues available to the Community Facilities District, to pay costs of the Facilities. See "THE COMMUNITY FACILITIES DISTRICT – The Facilities."
- (2) An amount equal to the initial Reserve Requirement. See "SECURITY FOR THE BONDS – Reserve Fund."
- (3) Includes fees and expenses of Bond Counsel, Disclosure Counsel, the Municipal Advisor, the Trustee, the Appraiser, the Special Tax Consultant, the City, printing expenses and other costs related to the issuance of the Series 2021 Bonds.

**SCHEDULED ANNUAL DEBT SERVICE FOR THE SERIES 2021 BONDS**

The table below sets forth the scheduled annual debt service payments on the Series 2021 Bonds, assuming no optional redemption of the Series 2021 Bonds or mandatory redemption of the Series 2021 Bonds from prepayments of Special Taxes.

<b>Year Ending September 1</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
<b>Total</b>			

## **THE SERIES 2021 BONDS**

*The following is a summary of certain provisions of the Series 2021 Bonds. Reference is made to the Series 2021 Bonds for the complete text thereof and to the Indenture for a more detailed description of such provisions. The discussion herein is qualified by such reference. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”*

### **Authority for Issuance**

The Series 2021 Bonds are being issued pursuant to the Act and the Indenture. The Act was adopted by the State Legislature to provide an alternate method of financing certain public capital facilities and services. Once duly established by a local governmental agency, a community facilities district is itself a legally constituted governmental entity, with the governing board or legislative body of the local agency that established it constituting the legislative body of the community facilities district. Subject to approval by a two-thirds vote of a community facilities district’s qualified electors and compliance with the provisions of the Act, the legislative body may authorize the issuance of bonds for the community facilities district in order to finance certain public improvements, and the legislative body may levy and collect a special tax within such community facilities district (and/or one or more improvement areas within such district), to repay such indebtedness. The total aggregate principal amount of the Bonds authorized to be issued and payable from Net Special Tax Revenues is \$7,000,000. See “SECURITY FOR THE BONDS” and APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

### **Purpose of the Series 2021 Bonds**

Proceeds of the Series 2021 Bonds will be used (i) to pay the costs of the acquisition of certain public facilities (the “Facilities”) necessary for the development of the Community Facilities District, (ii) to fund a reserve fund for the Bonds, and (iii) to pay the costs of issuing the Series 2021 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “THE COMMUNITY FACILITIES DISTRICT – The Facilities.”

### **Description of the Series 2021 Bonds**

The Series 2021 Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof (“Authorized Denominations”) and will be dated as of their date of issuance. The Series 2021 Bonds are scheduled to mature on September 1 in the years and in the principal amounts and will bear interest at the rates shown on the inside cover page of this Official Statement. Interest on the Series 2021 Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months and will be payable semiannually on March 1 and September 1 of each year, commencing September 1, 2021.

Interest on the Series 2021 Bonds shall be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Series 2021 Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it shall bear interest from such Interest Payment Date, (ii) a Series 2021 Bond is authenticated on or before the first Record Date, in which event interest thereon shall be payable from the Closing Date, or (iii) interest on any Series 2021 Bond is in default as of the date of authentication thereof, in which event interest thereon shall be payable from the date to which interest has previously been paid or duly provided for.

Interest shall be paid in lawful money of the United States of America on each Interest Payment Date. Interest shall be paid by check of the Trustee mailed by first class mail, postage prepaid, or by wire

transfer made on such Interest Payment Date upon the written instructions of any Owner of \$1,000,000 or more Series 2021 Bonds to an account within the United States of America, on each Interest Payment Date to the Series 2021 Bond Owners at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. Notwithstanding the foregoing, interest on any Series 2021 Bond which is not punctually paid or duly provided for on any Interest Payment Date shall, if and to the extent that amounts subsequently become available therefor, be paid on a payment date established by the Trustee to the Person in whose name the ownership of such Series 2021 Bond is registered on the Registration Books at the close of business on a special record date to be established by the Trustee for the payment of such defaulted interest, notice of which shall be given to such Owner not less than ten days prior to such special record date. The principal of the Series 2021 Bonds shall be payable in lawful money of the United States of America upon presentation and surrender thereof upon maturity or earlier redemption at the Office of the Trustee.

All obligations of the Community Facilities District under the Series 2021 Bonds are special obligations of the Community Facilities District, payable solely from Net Special Tax Revenues and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Community Facilities District (except to the limited extent set forth in the Indenture), the City, the County, or the State of California, or any political subdivision thereof, is pledged to the payment of the Series 2021 Bonds.

**Redemption**

**Optional Redemption.** The Series 2021 Bonds maturing on and after September 1, 20\_\_ are subject to redemption in Authorized Denominations, in whole or in part, on any Interest Payment Date on or after September 1, 20\_\_, at the following respective Redemption Prices (expressed as percentages of the principal amount of the Series 2021 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 20__ and March 1, 20__	103%
September 1, 20__ and March 1, 20__	102
September 1, 20__ and March 1, 20__	101
September 1, 20__ and thereafter	100

**Mandatory Redemption from Special Tax Prepayments.** The Series 2021 Bonds are subject to mandatory redemption, in whole or in part in Authorized Denominations, on any Interest Payment Date, from and to the extent of any prepayment of Special Taxes, at the following respective Redemption Prices (expressed as percentages of the principal amount of the Series 2021 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 2021 through and including March 1, 20__	103%
September 1, 20__ and March 1, 20__	102
September 1, 20__ and March 1, 20__	101
September 1, 20__ and thereafter	100

The redemption of Series 2021 Bonds purchased at a premium greater than the Redemption Price could reduce the otherwise expected yield on the Series 2021 Bonds. See “SPECIAL RISK FACTORS – Potential Early Redemption of Bonds from Special Tax Prepayments.”

**Mandatory Sinking Fund Redemption.** The Series 2021 Bonds maturing September 1, 20\_\_ shall be subject to mandatory sinking fund redemption, in part, on September 1 in each year, commencing September 1, 20\_\_, at a Redemption Price equal to the principal amount of the Series 2021 Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the aggregate respective principal amounts in the respective years as follows:

<b>Sinking Fund Redemption Date (September 1)</b>	<b>Principal Amount to be Redeemed</b>
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\_ (Maturity)

If some but not all of the Series 2021 Bonds maturing on September 1, 20\_\_ are redeemed pursuant to the provisions described in “– Optional Redemption,” above, the principal amount of Series 2021 Bonds maturing on September 1, 20\_\_ to be redeemed pursuant mandatory sinking fund redemption on any subsequent September 1 shall be reduced, by \$5,000 or an integral multiple thereof, as designated by the Community Facilities District in a Written Certificate of the Community Facilities District filed with the Trustee; provided, however, that the aggregate amount of such reductions shall not exceed the aggregate amount of Series 2021 Bonds maturing on September 1, 20\_\_ redeemed pursuant to the provisions described in “– Optional Redemption,” above. If some but not all of the Series 2021 Bonds maturing on September 1, 20\_\_ are redeemed pursuant to the provisions described in “Mandatory Redemption from Special Tax Prepayments” above, the principal amount of Series 2021 Bonds maturing on September 1, 20\_\_ to be redeemed pursuant to mandatory sinking fund redemption on any subsequent September 1 shall be reduced by the aggregate principal amount of the Series 2021 Bonds maturing on September 1, 20\_\_ so redeemed pursuant to the provisions described in “– Mandatory Redemption from Special Tax Prepayments” above, such reduction to be allocated among redemption dates as nearly as practicable on a *pro rata* basis in amounts of \$5,000 or integral multiples thereof, as determined by the Trustee, notice of which determination shall be given by the Trustee to the Community Facilities District.

The Series 2021 Bonds maturing September 1, 20\_\_ shall be subject to mandatory sinking fund redemption, in part, on September 1 in each year, commencing September 1, 20\_\_, at a Redemption Price equal to the principal amount of the Series 2021 Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the aggregate respective principal amounts in the respective years as follows:

<b>Sinking Fund Redemption Date (September 1)</b>	<b>Principal Amount to be Redeemed</b>
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\_ (Maturity)

If some but not all of the Series 2021 Bonds maturing on September 1, 20\_\_ are redeemed pursuant to the provisions described in “– Optional Redemption,” above, the principal amount of Series 2021 Bonds maturing on September 1, 20\_\_ to be redeemed pursuant mandatory sinking fund redemption

on any subsequent September 1 shall be reduced, by \$5,000 or an integral multiple thereof, as designated by the Community Facilities District in a Written Certificate of the Community Facilities District filed with the Trustee; provided, however, that the aggregate amount of such reductions shall not exceed the aggregate amount of Series 2021 Bonds maturing on September 1, 20\_\_ redeemed pursuant to the provisions described in “– Optional Redemption,” above. If some but not all of the Series 2021 Bonds maturing on September 1, 20\_\_ are redeemed pursuant to the provisions described in “–Mandatory Redemption from Special Tax Prepayments” above, the principal amount of Series 2021 Bonds maturing on September 1, 20\_\_ to be redeemed pursuant to mandatory sinking fund redemption on any subsequent September 1 shall be reduced by the aggregate principal amount of the Series 2021 Bonds maturing on September 1, 20\_\_ so redeemed pursuant to the provisions described in “– Mandatory Redemption from Special Tax Prepayments” above, such reduction to be allocated among redemption dates as nearly as practicable on a *pro rata* basis in amounts of \$5,000 or integral multiples thereof, as determined by the Trustee, notice of which determination shall be given by the Trustee to the Community Facilities District.

***Selection of Bonds for Redemption.*** Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Trustee will select the Series 2021 Bonds to be redeemed from all Bonds not previously called for redemption: (a) with respect to any optional redemption of Series 2021 Bonds, among maturities of Series 2021 Bonds as directed by the Community Facilities District; (b) with respect to any redemption from prepayment of Special Taxes and the corresponding provision of any Supplemental Indenture pursuant to which Additional Bonds are issued, among maturities of all Series of Bonds on a *pro rata* basis as nearly as practicable; and (c) with respect to any other redemption of Additional Bonds, among maturities as provided in the Supplemental Indenture pursuant to which such Additional Bonds are issued, and by lot among Bonds of the same Series with the same maturity in any manner which the Trustee in its sole discretion shall deem appropriate and fair. For purposes of such selection, all Bonds shall be deemed to be comprised of separate \$5,000 denominations and such separate denominations shall be treated as separate Bonds which may be separately redeemed.

***Notice of Redemption.*** So long as DTC is acting as securities depository for Series 2021 Bonds, notice of redemption, containing the information required by the Indenture, will be mailed by first-class mail, postage prepaid, by the Trustee to DTC (not to the Beneficial Owners of any Series 2021 Bonds designated for redemption) at least 30 but not more than 60 days prior to the date fixed for redemption. The Indenture provides that the Trustee will mail (by first class mail) notice of any redemption to the respective Owners of any Series 2021 Bonds designated for redemption at their respective addresses appearing on the Registration Books, at least 30 but not more than 60 days prior to the date fixed for redemption. Such notice shall state the date of the notice, the redemption date, the redemption place and the Redemption Price and shall designate the CUSIP numbers, if any, the Series 2021 Bond numbers and the maturity or maturities of the Series 2021 Bonds to be redeemed (except in the event of redemption of all of the Series 2021 Bonds of such maturity or maturities in whole), and shall require that such Series 2021 Bonds be then surrendered at the Office of the Trustee for redemption at the Redemption Price, giving notice also that further interest on such Series 2021 Bonds will not accrue from and after the date fixed for redemption. Neither the failure to receive any notice so mailed, nor any defect in such notice, shall affect the validity of the proceedings for the redemption of the Series 2021 Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption. With respect to any notice of any optional redemption of Series 2021 Bonds, unless at the time such notice is given the Series 2021 Bonds to be redeemed shall be deemed to have been paid within the meaning of the Indenture, such notice shall state that such redemption is conditional upon receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the Redemption Price of, and accrued interest on, the Series 2021 Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Community Facilities District shall not be required to redeem such Series 2021 Bonds. In the event a notice of redemption of Series 2021 Bonds contains such a condition and such moneys are not so

received, the redemption of Series 2021 Bonds as described in the conditional notice of redemption shall not be made and the Trustee shall, within a reasonable time after the date on which such redemption was to occur, give notice to the Persons and in the manner in which the notice of redemption was given, that such moneys were not so received and that there shall be no redemption of Series 2021 Bonds pursuant to such notice of redemption.

***Partial Redemption of Series 2021 Bonds.*** Upon surrender of any Series 2021 Bond redeemed in part only, the Community Facilities District will execute and the Trustee will authenticate and deliver to the Owner thereof a new Bond or Bonds representing the unpaid principal amount of the Series 2021 Bond surrendered.

***Effect of Notice of Redemption.*** Notice having been mailed as described under the caption “– Notice of Redemption,” and moneys for the Redemption Price, and the interest to the applicable date fixed for redemption, having been set aside in the Redemption Fund, the Series 2021 Bonds shall become due and payable on said date, and, upon presentation and surrender thereof at the Office of the Trustee, said Bonds shall be paid at the Redemption Price thereof, together with interest accrued and unpaid to said date.

If, on the date fixed for redemption, moneys for the Redemption Price of all the Series 2021 Bonds to be redeemed, together with interest to said date, shall be held by the Trustee so as to be available therefor on such date, and, if notice of redemption thereof shall have been mailed as aforesaid and not canceled, then, from and after said date, interest on said Series 2021 Bonds shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Series 2021 Bonds shall be held in trust for the account of the Owners of the Series 2021 Bonds so to be redeemed without liability to such Owners for interest thereon.

All Series 2021 Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions hereof shall be canceled upon surrender thereof and destroyed.

***Purchase In Lieu of Redemption.*** In lieu of an optional, extraordinary mandatory or mandatory sinking fund redemption, the Community Facilities District may elect to purchase Series 2021 Bonds at public or private sale at such prices as the Community Facilities District in its discretion may determine; provided, that, unless otherwise authorized by law, the purchase price (including brokerage and other charges) thereof will not exceed the principal amount thereof, plus accrued interest accrued to the purchase date and any premium which would otherwise be due if such Series 2021 Bonds were to be redeemed in accordance with the Indenture.

### **Discontinuation of Book Entry Only System**

Initially, The Depository Trust Company (DTC) will act as securities depository for the Series 2021 Bonds. See APPENDIX F – “DTC AND THE BOOK ENTRY SYSTEM.” In the event (i) DTC, including any successor as securities depository for the Series 2021 Bonds, determines not to continue to act as securities depository for the Series 2021 Bonds, or (ii) the Community Facilities District determines that the incumbent securities depository shall no longer so act as securities depository for the Series 2021 Bonds, and delivers a written certificate to the Trustee to that effect, then the Community Facilities District will discontinue the book-entry system with the incumbent securities depository for the Series 2021 Bonds. If the Community Facilities District determines to replace the incumbent securities depository for the Series 2021 Bonds with another qualified securities depository, the Community Facilities District shall prepare or direct the preparation of a new single, separate, fully registered series 2021 Bond for the aggregate outstanding principal amount of Series 2021 Bonds of each maturity, registered in the name of such successor or substitute qualified securities depository, or its nominee, or

make such other arrangement acceptable to the Community Facilities District, the Trustee and the successor securities depository for the Series 2021 Bonds as are not inconsistent with the terms of the Indenture. If the Community Facilities District fails to identify another qualified successor securities depository for the Series 2021 Bonds to replace the incumbent securities depository, then the Series 2021 Bonds shall no longer be restricted to being registered in the Registration Books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository for the Series 2021 Bonds, or its nominee, shall designate. In such event the Community Facilities District shall execute, and deliver to the Trustee, a sufficient quantity of the Series 2021 Bonds to carry out the transfers and exchanges provided for in the Indenture. All such the Series 2021 Bonds shall be in fully registered form in denominations authorized by the Indenture.

## **SECURITY FOR THE BONDS**

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, the Community Facilities District pledges under the Indenture all of the Net Special Tax Revenues and any other amounts (including proceeds of the sale of the Series 2021 Bonds) held in the Special Tax Fund, the Bond Fund, the Redemption Fund, and the Reserve Fund to secure the payment of the principal of, premium, if any, and interest on the Series 2021 Bonds in accordance with their terms, the provisions of the Indenture and the Act. Said pledge shall constitute a first lien on such assets. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” for a description of the Special Tax Fund and the Bond Fund.

### **Limited Liability**

**All obligations of the Community Facilities District under the Series 2021 Bonds are special obligations of the Community Facilities District, payable solely from Net Special Tax Revenues and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Community Facilities District (except to the limited extent set forth in the Indenture), the City, the County, or the State of California, or any political subdivision thereof, is pledged to the payment of the Series 2021 Bonds.**

### **Pledge of Net Special Tax Revenues**

In accordance with provisions of the Act, the qualified electors within the Community Facilities District voted to approve a bonded indebtedness in an amount not to exceed \$7,000,000 to finance the Facilities, said indebtedness to be secured by a pledge of the Net Special Tax Revenues. At the same time, the City Council approved the levy of the Special Taxes as provided in the Rate and Method to pay the principal and interest on the Bonds, to pay the administrative expenses of the Community Facilities District, and to replenish the Reserve Fund to the Reserve Requirement. The Special Tax Revenues will be transferred by the Community Facilities District to the Trustee for deposit by the Trustee in the Special Tax Fund established under the Indenture as soon as practicable after they have been received by the Community Facilities District, except for Special Tax prepayments, which amounts will be deposited into the Redemption Fund. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Net Special Tax Revenues are Special Tax Revenues less amounts required to pay Priority Administrative Expenses. “Priority Administrative Expenses” are defined as a portion of the specified annual actual or reasonably estimated costs directly related to the administration of the Community Facilities District equal to \$15,000 in annual Administrative Expenses. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

The Special Tax is levied in each Fiscal Year on each Assessor's Parcel of Taxable Property within the Community Facilities District to fund the Special Tax Requirement for Facilities (as such terms are defined in the Rate and Method). The Special Tax constitutes the principal source of payment for the Series 2021 Bonds. The Rate and Method provides for the levy and collection of a Backup Special Tax under specified circumstances. The Backup Special Tax will be levied only if and to the extent required in order to assure the Community Facilities District's ability to collect the Maximum Special Tax (as defined in the Rate and Method). See "THE COMMUNITY FACILITIES DISTRICT – Rate and Method of Apportionment of Special Taxes."

Pursuant to the Indenture, additional bonds ("Additional Bonds") solely for refunding purposes payable from Net Special Tax Revenues on parity with the Series 2021 Bonds may be issued by the District, as described in this Official Statement. The Series 2021 Bonds and any such Additional Bonds are collectively referred to as the "Bonds." See "SECURITY FOR THE BONDS – Additional Bonds for Refunding Only" and APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

See "THE COMMUNITY FACILITIES DISTRICT – Rate and Method of Apportionment of Special Tax – Estimated Debt Service Coverage."

### **Collection of Special Tax Revenues**

Pursuant to the Indenture, the Community Facilities District is to comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including the enforcement of delinquent Special Taxes.

Prior to August 1 of each year, the Community Facilities District will ascertain from the County Assessor the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year. The Community Facilities District will effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each August 10 that the Series 2021 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.

The Community Facilities District shall fix and levy the amount of Special Taxes within the Community Facilities District in accordance with the Rate and Method and, subject to the limitations in the Rate and Method as to the maximum Special Tax that may be levied, in an amount sufficient to yield the amount required for the payment of principal of and interest on any Series 2021 Bonds becoming due and payable during the Bond Year commencing in such Fiscal Year, the amount required for any necessary replenishment of the Reserve Fund and the amount estimated to be sufficient to pay the Administrative Expenses during such year, taking into account the balances in the funds and accounts established under the Indenture.

The Special Taxes shall 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.

Although the Special Tax will constitute a lien on property subject to taxation within the Community Facilities District, it does not constitute a personal indebtedness of the owner of such property. There is no assurance that the Developer or any other landowner will be financially able to pay their annual Special Tax or that they will pay such tax even if financially able to do so. The risk of the

Developer, or subsequent landowners or homeowners, not paying the annual Special Tax is more fully described in “SPECIAL RISK FACTORS – Insufficiency of Special Tax Revenues.”

In accordance with the Act and the Rate and Method, under no circumstances will the Special Tax levied in any Fiscal Year against any Assessor’s Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased as a result of a delinquency or default in the payment of the Special Tax applicable to any other Assessor’s Parcel within the Community Facilities District by more than 10% above what would have been levied in the absence of such delinquencies or defaults.

### **Flow of Funds**

As soon as practicable after the receipt by the Community Facilities District of any Special Tax Revenues, but in any event no later than the date ten Business Days prior to the Interest Payment Date after such receipt, the Community Facilities District will transfer such Special Tax Revenues to the Trustee for deposit in the Special Tax Fund; provided, that for any prepayments of Special Taxes under the Rate and Method, any portion of any such prepayment or payment that is to be applied to the payment of the Redemption Price of Bonds in accordance with the provisions of the Indenture will be deposited in the Redemption Fund.

Upon receipt of a Written Request of the Community Facilities District, the Trustee will withdraw from the Special Tax Fund and transfer to the Administrative Expense Fund the Priority Administrative Expenses specified in such Written Request of the Community Facilities District.

On the Business Day immediately preceding each Interest Payment Date, after having made any requested transfer of the Priority Administrative Expenses to the Administrative Expense Fund, the Trustee will withdraw from the Special Tax Fund Net Special Tax Revenues in an amount sufficient to enable the Trustee to make the following transfers in the following order of priority:

- (i) *Interest Account of the Bond Fund.* To the Interest Account, the amount, if any, necessary to cause the amount on deposit in the Interest Account to be equal to the interest due on the Bonds on such Interest Payment Date;
- (ii) *Principal Account of the Bond Fund.* To the Principal Account, the amount, if any, necessary to cause the amount on deposit in the Principal Account to be equal to the principal, if any, due on the Bonds on such Interest Payment Date, including principal due and payable by reason of mandatory sinking fund redemption of such Bonds; and
- (iii) *Reserve Fund.* To the Reserve Fund, the amount, if any, necessary to cause the amount on deposit in the Reserve Fund to be equal to the Reserve Requirement.

On or after each September 2, after having made the transfers described in paragraphs (i)-(iii) above, the Trustee shall withdraw from the Special Tax Fund any Net Special Tax Revenues therein as of such September 2 to make the following transfers in the following order of priority:

- (i) *Administrative Expense Fund.* To the Administrative Expense Fund, if upon receipt of a Written Request of the Community Facilities District for an amount greater than the Priority Administrative Expenses, the amount necessary to be transferred thereto in order to have sufficient amounts available therein to pay Administrative Expenses; and
- (ii) *Surplus Fund.* To the Surplus Fund.

Amounts in the Surplus Fund may be transferred by the Trustee pursuant to a written request of the Community Facilities District to the Redemption Fund to redeem Bonds or to the Community Facilities District to be applied to the payment of costs of Facilities authorized to be financed by the Community Facilities District pursuant to the Resolution of Formation.

**Appraised Value**

The Community Facilities District has been furnished with the Appraisal prepared by the Appraiser dated March 23, 2021. The Appraisal summarizes the Appraiser’s conclusion that the value, as defined therein, of the property within the Community Facilities District that is subject to the levy of the Special Tax, as of the Date of Value, was \$110,143,592, detailed as shown below.

Developer Owned (23 Houses)	\$9,218,237
Developer Owned (120 Lots)	20,862,743
Individual Owners (164 Houses)	<u>80,062,612</u>
Aggregate Total for the Community Facilities District	\$110,143,592

The Community Facilities District contains 307 single family detached lots, 23 which have homes that are over 95 percent complete (all in escrow and due to close upon completion) owned by the Developer, 120 lots (59 with homes under construction and 93 in escrow) owned by the Developer, and 164 which have completed construction and have been conveyed to individuals, each as valued above.

As more particularly described in the Appraisal, the Developer has certain remaining costs to complete hard costs per lot and related fees as of the Date of Value. Had these items been completed and the related fees paid by the Developer as of the Date of Value, the values above attributed to the Developer’s current ownership would have been greater. The estimated remaining site costs and fees have been considered in the Developer’s appraised values above and are detailed in the Appraisal and summarized in the paragraphs that follow. The values are stated subject to the Assumptions and Limiting Conditions of the Appraisal, the Appraiser’s Certification and as of February 10, 2021. See APPENDIX B – “APPRAISAL REPORT.” The valuation in the Appraisal is based primarily on a sales comparison methodology and a discounted cash flow analysis.

The Appraiser’s estimate of the appraised value of the property in the Community Facilities District on which the Special Tax is levied as reflected in the Appraisal is approximately 5.6\* times the initial principal amount of the Series 2021 Bonds. Property in the Community Facilities District is also subject to certain overlapping indebtedness. See “SPECIAL RISK FACTORS – Direct and Overlapping Indebtedness.”

Based on the above information, the remaining costs of land development associated with the 307 properties in the Community Facilities District, which are included in the concluded value, are shown below.

<u>Description</u>	<u>Remaining</u>
36809-4 Hard Costs	\$ 705,000
36809-4 Soft Costs (Fees)	<u>431,836</u>
Subtotal Remaining Costs	\$1,136,836
Less CFD Funded Fees	<u>(286,088)</u>
Total Remaining Costs	\$ 850,749

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\* Preliminary, subject to change.

As of the Date of Value, 164 homes have closed to individuals. In determining a value for Developer owned property, the Appraiser spread the above remaining costs among the 143 lots owned by the Developer (61 finished lots, 59 lots under construction and 23 production homes that are over 95 percent complete). This results in an estimated \$4,930.07 in remaining hard costs per lot (\$705,000 divided by 143 lots) and \$145,749 in remaining fees associated with the remaining lots. A complete copy of the Appraisal is attached hereto as APPENDIX B – “APPRAISAL REPORT.”

The Community Facilities District makes no representation or warranty as to the accuracy or completeness of the Appraisal or the absorption analysis as part of the Appraisal. A complete copy of the Appraisal and the absorption analysis as part of the Appraisal is included as APPENDIX B hereto.

Set forth below are four tables that show the expected ratio of the value of taxable parcels to the allocable portion of bonded indebtedness (referred to as “lien” in the tables) of the Taxable Property in the Community Facilities District, based on the respective appraised values of the parcels of Taxable Property reflected in the Appraisal, the percentage of the Fiscal Year 2021-22 Special Tax levy on those parcels, the initial principal amount of the Series 2021 Bonds and the development status of the respective parcels as of the Date of Value. Table 1 below sets forth value-to-lien ratios based on the classification of the Taxable Property in the Community Facilities District under the Rate and Method. Table 2 sets forth value-to-lien ratios by ownership status. Table 3 sets forth value-to-lien ratios for each of the ten types of production homes. Table 4 sets forth the stratification of the value-to-lien ratios for all of the Taxable Property in the Community Facilities District. As used in this Official Statement, the term

**Table 1**  
**Community Facilities District No. 4B of the City of Rancho Mirage**  
**(Del Webb Project)**  
**Value-to-Lien by Development Status as of February 10, 2021**

<b>Development Status</b>	<b>Parcel Count<sup>(1)</sup></b>	<b>Appraised Property Value<sup>(2)</sup></b>	<b>Estimated Assigned Special Tax Levy<sup>(3)</sup></b>	<b>Principal of the Series 2021 Bonds<sup>(4)*</sup></b>	<b>Value-to-Lien Ratio*</b>
Developed Property <sup>(5)</sup>	266	\$103,015,488	\$332,821	\$ 5,362,31	19.21:1
Approved Property <sup>(6)</sup>	41	7,128,104	50,441	812,690	8.77:1
<b>Totals</b>	<b>307</b>	<b>\$110,143,592</b>	<b>\$383,262</b>	<b>\$6,175,000</b>	<b>17.84:1</b>

<sup>(1)</sup> Includes 307 parcels within the Boundaries of the Community Facilities District comprised of 1 residential unit each.

<sup>(2)</sup> Based on the Appraisal with a Date of Value of February 10, 2021.

<sup>(3)</sup> Represents the Assigned Special Tax to be levied on parcels classified as Developed Property for Fiscal Year 2021-22 and a Special Tax levy on Approved Property sufficient to meet the revenue requirements of the bonds, assuming no further development beyond February 10, 2021.

<sup>(4)</sup> Pro-rata allocation based on percentage of estimated Assigned Special Tax Levy.

<sup>(5)</sup> Parcels for which a Building Permit was issued prior to May 1st of the Fiscal Year preceding the Fiscal Year for which the Special Tax is being levied become Developed Property, as more particularly provided in the Rate and Method. See “THE COMMUNITY FACILITIES DISTRICT – Rate and Method of Apportionment of Special Tax” and APPENDIX A – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

<sup>(6)</sup> Assessor’s Parcels of Taxable Property: (i) that are included in a Final Map that was recorded prior to the January 1st of the Fiscal Year preceding the Fiscal Year for which the Special Tax is being levied, and (ii) that have not been issued a Building Permit on or prior to the May 1st of the Fiscal Year preceding the Fiscal Year for which the Special Tax is being levied. See “THE COMMUNITY FACILITIES DISTRICT – Rate and Method of Apportionment of Special Tax” and APPENDIX A – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

\* Preliminary, subject to change.

Source/: Willdan Financial Services.

**Table 2**  
**Community Facilities District No. 4B of the City of Rancho Mirage**  
**(Del Webb Project)**  
**Value-to-Lien by Ownership Status**

<b>Ownership Status</b>	<b>Parcel Count<sup>(1)</sup></b>	<b>Appraised Property Value<sup>(2)</sup></b>	<b>Estimated Assigned Special Tax Levy<sup>(3)</sup></b>	<b>Principal of the Series 2021 Bonds<sup>(4)*</sup></b>	<b>Value-to-Lien Ratio*</b>
Individuals	164	\$ 80,062,612	\$204,429	\$3,293,697	24.31:1
Developer (95% Complete/Model Home)	23	9,218,237	29,604	476,971	19.33:1
Developer (Under Construction)	59	10,257,515	74,591	1,201,787	8.54:1
Developer (Finished Lots)	61	10,605,228	74,638	1,202,545	8.82:1
<b>Totals</b>	<b>307</b>	<b>\$110,143,592</b>	<b>\$383,262</b>	<b>\$6,175,000</b>	<b>17.84:1</b>

<sup>(1)</sup> Includes 307 parcels within the Boundaries of the Community Facilities District comprised of 1 residential unit each.

<sup>(2)</sup> Based on the Appraisal with a Date of Value of February 10, 2021.

<sup>(3)</sup> Represents the Assigned Special Tax to be levied on parcels classified as Developed Property for Fiscal Year 2021-22 as of the Date of Value of February 10, 2021 and a Special Tax levy on Approved Property sufficient to meet the revenue requirements of the bonds.

<sup>(4)</sup> Pro-rata allocation based on percentage of estimated Assigned Special Tax Levy.

\* Preliminary, subject to change.

Source: Willdan Financial Services.

**Table 3**  
**Community Facilities District No. 4B of the City of Rancho Mirage**  
**(Del Webb Project)**  
**Value-to-Lien by Production Type of Home**

<b>Production Type of Homes</b>	<b>Approved Parcel Count</b>	<b>Developed Property Units</b>	<b>Total Residential Units</b>	<b>Appraised Property Value<sup>(1)</sup></b>	<b>Estimated Assigned Special Tax Levy<sup>(2)</sup></b>	<b>Percentage of Fiscal Year 2021-22 Special Tax Levy<sup>(3)</sup></b>	<b>Principal of the Series 2021 Bonds<sup>(4)*</sup></b>	<b>Value-to-Lien Ratio*</b>
Plan 1	0	23	23	\$ 7,489,887	\$ 18,619	5%	\$ 299,984	24.97:1
Plan 2	0	27	27	8,583,646	27,216	7	438,496	19.58:1
Plan 3	0	21	21	6,713,161	21,493	6	346,289	19.39:1
Plan 4	0	36	36	13,594,562	40,068	10	645,563	21.06:1
Plan 5	0	31	31	11,218,988	34,503	9	555,902	20.18:1
Plan 6	0	30	30	11,398,915	38,496	10	620,236	18.38:1
Plan 7	0	30	30	13,412,782	41,817	11	673,743	19.91:1
Plan 8	0	21	21	8,979,622	32,048	8	516,348	17.39:1
Plan 9	0	24	24	11,076,530	38,932	10	627,260	17.66:1
Plan 10	0	23	23	10,547,395	39,629	10	638,490	16.52:1
Unknown	41	0	41	7,128,104	50,441	13	812,690	8.77:1
<b>Totals</b>	<b>41</b>	<b>266</b>	<b>307</b>	<b>\$110,143,592</b>	<b>\$383,262</b>	<b>100%</b>	<b>\$6,175,000</b>	<b>17.84:1</b>

<sup>(1)</sup> Based on the Appraisal with a Date of Value of February 10, 2021 with appraised values allocated to individual lots by Willdan.

<sup>(2)</sup> Represents the Assigned Special Tax to be levied on parcels classified as Developed Property for Fiscal Year 2021-22 and a Special Tax levy on Approved Property sufficient to meet the revenue requirements of the bonds, assuming no further development beyond February 10, 2021.

<sup>(3)</sup> Pro-rata allocation based on percentage of estimated Assigned Special Tax Levy.

<sup>(4)</sup> Pro-rata allocation based on percentage of estimated Assigned Special Tax Levy.

\* Preliminary, subject to change.

Source: Willdan Financial Services.

**Table 4**  
**Community Facilities District No. 4B of the City of Rancho Mirage**  
**(Del Webb Project)**  
**Value-to-Lien Stratification Based Upon Development Status as of February 10, 2021**

<b>Value-to-Lien Category</b>	<b>Fiscal Year 2021-22 Number of Parcels Taxed<sup>(1)</sup></b>	<b>Average Appraised Property Value<sup>(2)</sup></b>	<b>Estimated Assigned Special Tax Levy<sup>(3)</sup></b>	<b>Percentage of Special Tax Levy</b>	<b>Principal of Series 2021 Bonds<sup>(4)*</sup></b>	<b>Value-to-Lien Ratio*</b>
Greater than 12.00	192	\$90,150,130	\$238,028	62%	\$3,835,034	23.51:1
9.01 to 12.00	62	10,779,084	66,153	17	1,065,829	10.11:1
6.01 to 9.00	52	9,040,522	77,231	20	1,244,320	7.27:1
3.01 to 6.00	1	173,856	1,851	--	29,817	5.83:1
0.0 to 3.00	0	--	--	--	--	N/A

<sup>(1)</sup> Assumes development status as of February 10, 2021.

<sup>(2)</sup> Based on the Appraisal with a Date of Value of February 10, 2021 with appraised values allocated to individual lots by Willdan.

<sup>(3)</sup> Represents the Assigned Special Tax to be levied on parcels classified as Developed Property for Fiscal Year 2021-22 and a Special Tax levy on Approved Property sufficient to meet the revenue requirements of the bonds, assuming no further development beyond February 10, 2021.

<sup>(4)</sup> Pro-rata allocation based on percentage of estimated Assigned Special Tax Levy.

\* Preliminary, subject to change.

Source: Willdan Financial Services.

As of the Date of Value, 41 building permits remained to be pulled and 27 lots remain to be sold. Between the February 10, 2021 Date of Value and March 26, 2021, an additional 34 building permits had been issued, and an additional 28 home sales had closed escrow to individual home buyers. As of March 26, 2021, a total of 192 residential units have been conveyed to individual homeowners and the remaining 115 are in escrow to individual home buyers. The Developer anticipates that all building permits will be issued by the end of April 2021. As described in the Appraisal, the model home complex is part of Phase I, which is not included in the Community Facilities District, and is anticipated to be included in the final build-out phase of the Development planned for 1,029 homes as described in this Official Statement.

### **Covenant for Superior Court Foreclosure**

Pursuant to Section 53356.1 of the Act, the Community Facilities District covenants in the Indenture that it will determine or cause to be determined, on or about October 1 of each year, whether or not any owners of property within the Community Facilities District are delinquent in the payment of Special Taxes and, if such delinquencies exist, the Community Facilities District will send or cause to be sent a notice of delinquency and demand for payment thereof to the property owner within 45 days of such determination and if such delinquency remains uncured, order and cause to be commenced within 90 days of such determination of delinquency, and thereafter diligently prosecute, an action in the superior court to foreclose the lien of any Special Taxes or installment thereof not paid when due.

The Community Facilities District is not required to order the commencement of foreclosure proceedings as described in the preceding paragraph, if (i) the total Special Tax delinquency in the Community Facilities District for such Fiscal Year is less than 5% of the total Special Tax levied in such Fiscal Year, and (ii) no draw has been made on the Reserve Fund that has not been replenished. However, if the Community Facilities District determines that any single property owner in the Community Facilities District is delinquent in excess of \$5,000 in the payment of the Special Tax, then the Community Facilities District is required to diligently institute, prosecute and pursue foreclosure proceedings against such property owner.

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. Subject to the maximum rates, the Rate and Method is designed to generate from all Taxable Property within the Community Facilities District an annual amount sufficient to pay the current year's debt service and Administrative Expenses. However, if foreclosure proceedings are necessary, and the Reserve Fund has been depleted, there could be a delay in payments to owners of the Series 2021 Bonds pending prosecution of the foreclosure proceedings and receipt by the Community Facilities District of the proceeds of the foreclosure sale.

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 obligee in the event the property is owned by or in receivership of a federal government entity. See "SPECIAL RISK FACTORS – Bankruptcy and Foreclosure Delays" and "– Property Interests of Government Agencies; Federal Deposit Insurance Corporation."

No assurances can be given that a judicial foreclosure action, once commenced, will be completed or that it will be completed in a timely manner. If a judgment of foreclosure and order of sale is obtained, the judgment creditor (the Community Facilities District) must cause a Notice of Levy to be issued. Under current law, a judgment debtor (property owner) has 120 days from the date of service of the Notice of Levy in which to redeem the property to be sold, which period may be shortened to 20 days for parcels other than those on which a dwelling unit for not more than four persons is located. If a judgment debtor fails to redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such an action, a foreclosure sale is set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made (Section 701.680 of the California Code of Civil Procedure). The constitutionality of the aforementioned legislation, which repeals the former one-year redemption period, has not been tested; and there can be no assurance that, if tested, such legislation will be upheld.

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 Tax. 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 under the Indenture, but this payment may be made up to 24 months after the date of the foreclosure sale. Neither the Act nor the Indenture requires 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, and the Community Facilities District has no current intent to be such a purchaser.

The Community Facilities District will levy Special Taxes to pay the current year's debt service and related Administrative Expenses and to replenish the Reserve Fund to the Reserve Requirement, subject to the Rate and Method. However, if superior court foreclosure proceedings are necessary to collect delinquent Special Taxes, and if the Reserve Fund is depleted, there could be a delay in payments of principal of and interest on the Series 2021 Bonds pending prosecution of the foreclosure proceedings and receipt by the Community Facilities District of the proceeds of the foreclosure sale. See "SPECIAL RISK FACTOR – Bankruptcy and Foreclosure Delays."

## **No Teeter Plan**

Although the Riverside County of Board of Supervisors has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”) which allows each entity levying secured property taxes in the County to draw on the amount of property taxes levied rather than the amount actually collected, as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code, the Community Facilities District is not included in the County Teeter Plan. Consequently, the Community Facilities District may not draw on the County Tax Loss Reserve Fund in the event of delinquencies in Special Tax payments within the Community Facilities District.

## **Reserve Fund**

In order to further secure the payment of principal and interest on the Bonds, the Community Facilities District will initially deposit a portion of the Series 2021 Bonds proceeds into the Reserve Fund held by the Trustee in an amount equal to the initial Reserve Requirement. The Reserve Requirement is defined in the Indenture as an amount, as of any date of calculation, equal to the least of (a) 10% of the original aggregate principal amount of the Bonds (excluding Bonds refunded with the proceeds of subsequently issued Bonds), (b) Maximum Annual Debt Service on the outstanding Bonds, or (c) 125% of Average Annual Debt Service on the outstanding Bonds. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

The Indenture provides for amounts in the Reserve Fund to be transferred to the Bond Fund in such amounts as are needed, taking into account amounts available for such purpose in the Bond Fund, to pay the scheduled principal of and interest on the Bonds when due. Amounts in the Reserve Fund may also be used to redeem Bonds in connection with prepayments of Special Taxes in accordance with the provisions of the Indenture. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

## **Additional Bonds for Refunding Only**

The Indenture provides for the issuance of Additional Bonds solely for the purpose of providing funds to refund any Bonds previously issued thereunder and providing funds to pay Costs of Issuance incurred in connection with the issuance of such Additional Bonds. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.” The Community Facilities District is authorized to incur bonded indebtedness secured by Special Taxes levied in the Community Facilities District in an amount not to exceed \$7,000,000.

## **Overlapping CFDs**

The Act permits the creation of separate community facilities districts that could be established by the City, the County or another local agency that could include all or a portion of the Taxable Property in the Community Facilities District for the purpose of levying special taxes pursuant to their own rate and method of apportionment on such property (each, an “Overlapping CFD.”) The special taxes levied in such Overlapping CFDs will have the same lien priority as the Special Taxes. The Indenture does not prohibit or limit in any way the issuance by the Overlapping CFDs of bonds payable at least partially from special taxes to be levied on parcels of Taxable Property, on a parity with the Bonds. In the event that special taxes collected from property that is in both the Community Facilities District and the Overlapping CFDs are less than the amounts levied on such property by the Community Facilities District and the Overlapping CFDs, the actual amount of special taxes collected shall be distributed pro rata to the Community Facilities District and the Overlapping CFDs based on the amounts levied by each of the Community Facilities District and the Overlapping CFDs on such property. In the event amounts

collected in foreclosure proceedings from property that is in both the Community Facilities District and the Overlapping CFDs are less than the amounts due from such property to both the Community Facilities District and the Overlapping CFDs, then the actual amounts collected from such property in foreclosure proceedings shall be distributed pro rata to the Community Facilities District and the Overlapping CFDs based on the amounts due from such property to each of the Community Facilities District and the Overlapping CFDs. All Taxable Property in the Community Facilities District is included in City of Rancho Mirage Community Facilities District No. 1 (“Rancho Mirage CFD No. 1”), which levies an annual special tax for police and fire services. The annual special tax per home for Rancho Mirage CFD No. 1 is \$386 for the 2020-21 tax year.

## **THE COMMUNITY FACILITIES DISTRICT**

### **Location and Description**

*General.* The Community Facilities District, which is irregular in shape and encompasses approximately 87 gross acres, is located in the central portion of the County in the area known as the Coachella Valley which includes the cities of Palm Springs, Desert Hot Springs, Cathedral City, Rancho Mirage, Palm Desert, Indian Wells, Indio, La Quinta, and Coachella along with unincorporated areas of Thousand Palms, Thermal, Sky Valley, Happy Valley, Sun City and Bermuda Dunes. More specifically, Del Webb at Rancho Mirage is located in the northern portion of the City of Rancho Mirage, just south of Interstate 10 (“I-10”) at Bob Hope Drive.

The Community Facilities District comprises approximately 87 gross acres or approximately one-third of the larger Development, which is a planned 313-acre residential adult active community for residents age 55+ years, proposed to contain 1,029 single-family detached residences at completion. The Developer is building out three neighborhoods within the Community Facilities District, proposed for 307 single-family detached residences, consisting of a total of ten home plans. The Development is a portion of the larger Section 24 SP as described below. Final maps authorizing the subdivision of the property within the Community Facilities District into 307 residential lots were recorded on February 20, 2019 (Tract 36809-3 comprising 108 lots) and May 30, 2019 (Tract 36809-4 comprising 199 lots).

Within the Community Facilities District as of February 10, 2021, out of the 307 proposed residential lots for development, 23 have homes that are over 95 percent complete (all in escrow and due to close upon completion) owned by the Developer, 120 are lots in various stages of construction (59 with homes under construction and 93 in escrow) owned by the Developer, and 164 are completed homes that have been conveyed to individuals. As of the Date of Value, 41 building permits remained to be pulled and 27 lots remain to be sold. Between the February 10, 2021 Date of Value and March 26, 2021, an additional 34 building permits had been issued, and an additional 28 home sales had closed escrow to individual home buyers. As of March 26, 2021, a total of 192 residential units have been conveyed to individual homeowners and the remaining 115 are in escrow to individual home buyers. The Community Facilities District is planned to be built out into three neighborhoods by the Developer known as the Classic series, the Encore series and the Retreat series with a total of ten different home plans. No commercial development will be included within the boundaries of the Community Facilities District.

The home plans range from approximately 1,438 square feet to approximately 2,726 square feet with base prices as of February 10, 2021 ranging from approximately \$408,000 to approximately \$637,000. Base prices are subject to change at any time by the Developer and are exclusive of any premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered. Planned amenities for the Development include a clubhouse known as “The Outlook.” The clubhouse complex includes the clubhouse, a putting green, an event lawn, both a covered and an outdoor pool, an in-ground spa, pickleball courts, tennis courts and bocce ball courts. Within the clubhouse is a

great room/bar, a ballroom, a billiards room, a golf simulator room, a multi-purpose room, a fitness gym and an aerobics room along with ancillary buildings including a kitchen and bathrooms.

The Community Facilities District constitutes approximately one third of the Development. The Development is coterminous with Planning Area 8 and a portion of Section 24 SP. As described below and in the Appraisal, the Community Facilities District contains approximately 87 of the approximately 313 gross acres of the 577-acre Section 24 SP (defined below). Section 24 SP (the Agua Caliente Band of Cahuilla Indians Section 24 Specific Plan) covers the Community Facilities District, the Development and additional lands. Section 24 SP is bounded to the north by Ramon Road beyond which are undeveloped lands and I-10; to the east by Bob Hope Drive beyond which is the Agua Caliente Casino and Resort/Spa and vacant lands; to the south by Dinah Shore Drive beyond which is the Westin Mission Hills Golf Resort, Spa and Villas; and to the west by Los Alamos Road beyond which is the Gary Player Signature Golf Course. Section 24 SP beyond the Development is proposed to be developed into a master planned, mixed-land use community with a higher density mix of retail, entertainment, office, hotel and residential land uses within the areas fronting Bob Hope Drive and Ramon Road, in combination with the lower density Development on Dinah Shore Drive.

At time of inception the Section 24 SP was controlled by the Agua Caliente Band of Cahuilla Indians and located in an unincorporated area of the County. Per the City of Rancho Mirage Notice of Determination recorded September 15, 2015, Planning Area 8 was annexed into the City along with the approval of development of an age-restricted residential community of up to 1,200 residential dwelling units. At the same time, Tentative Tract Map 36809 and the Development Agreement were approved by the City. As a result of the purchase of Planning Area 8 by the Developer, the Agua Caliente Band of Cahuilla Indians no longer has any ownership or jurisdictional/land use rights with regard to the Development.

The following page contains an aerial photo of the area included within the boundaries of the Community Facilities District.

**City of Rancho Mirage  
Community Facilities District No. 4B  
(portion of) Del Webb at Rancho Mirage**



## **Rate and Method of Apportionment of Special Tax**

**General.** The amount of Special Tax that the Community Facilities District may levy in any year is strictly limited by the Maximum Special Taxes set forth in the Rate and Method. Special Taxes will be levied on each parcel in the Community Facilities District subject to such Special Taxes as set forth in the Rate and Method. Special Taxes include Special Tax, levied annually, and the Backup Special Tax, levied only under specified circumstances set forth in the Rate and Method. See “– Backup Special Tax” below, and APPENDIX A – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

As provided in the Rate and Method, each Assessor’s Parcel within the Community Facilities District will be classified as Taxable Property or Exempt Property. In addition, all Taxable Property will further be classified as Developed Property, Approved Property, Undeveloped Property or Provisional Property, and all such Taxable Property shall be subject to the levy of Special Taxes in accordance with the Rate and Method of Apportionment. Furthermore, each Assessor’s Parcel of Developed Property shall be classified according to its applicable Land Use Class based on its Building Square Footage.

As provided in the Rate and Method, for each Fiscal Year, commencing Fiscal Year 2020-21, the CFD Administrator shall levy the Special Tax on all Taxable Property in accordance with the following steps:

- Step 1:* The Special Tax shall be levied Proportionately on each Assessor’s Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax as needed to satisfy the Special Tax Requirement;
- Step 2:* If additional monies are needed to satisfy the Special Tax Requirement after Step 1 has been completed, the Special Tax shall be levied Proportionately on each Assessor’s Parcel of Approved Property in an amount up to 100% of the Maximum Special Tax for Approved Property;
- Step 3:* If additional monies are needed to satisfy the Special Tax Requirement after Step 2 has been completed, the Special Tax shall be levied Proportionately on each Assessor’s Parcel of Undeveloped Property in an amount up to 100% of the Maximum Special Tax for Undeveloped Property;
- Step 4:* If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax amount determined in Step 1 shall be increased Proportionately on each Assessor’s Parcel of Developed Property in an amount up to 100% of the Maximum Special Tax for Developed Property.
- Step 5:* If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor’s Parcel of Provisional Property in an amount up to 100% of the Maximum Special Tax for Provisional Property.

The Maximum Special Tax for Developed Property shall be the greater of the Assigned Special Tax for Developed Property or the Backup Special Tax for Developed Property. The Assigned Special Tax applicable to an Assessor’s Parcel classified as Developed Property commencing in Fiscal Year 2020-21 shall be determined pursuant to Table 1 of the Rate and Method, and ranges from \$799 to 1,723 per Residential Unit. The foregoing defined terms have the meaning set forth in the Rate and Method and for reference are reproduced below.

“Approved Property” means all Assessor’s Parcels of Taxable Property: (i) that are included in a Final Map that was recorded prior to the January 1st preceding the Fiscal Year in which the Special Tax is being levied, and (ii) that have not been issued a Building Permit on or prior to the May 1st preceding the Fiscal Year in which the Special Tax is being levied.

“Assigned Special Tax” means the Special Tax of that name described in Section 3.A of the Rate and Method.

“Backup Special Tax” means the Special Tax of that name described in Section 3.B of the Rate and Method.

“Developed Property” means for each Fiscal Year, all Taxable Property, exclusive of Provisional Property, for which a Building Permit was issued prior to May 1st of the previous Fiscal Year and as more particularly provided in the Rate and Method.

“Maximum Special Tax” means for each Assessor’s Parcel, the maximum Special Tax, determined in accordance with Sections 3.C and 3.D of the Rate and Method, which may be levied in a given Fiscal Year on such Assessor’s Parcel of Taxable Property.

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

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

“Special Tax Requirement” means that amount required in any Fiscal Year to: (i) pay regularly scheduled Debt Service on all Outstanding Bonds; (ii) pay periodic costs on the Outstanding Bonds, including but not limited to, credit enhancement and rebate payments on the Outstanding Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) accumulate funds to pay directly for acquisition or construction of facilities, provided that the inclusion of such amount does not cause an increase in the Special Tax to be levied on Approved Property, Undeveloped Property, or Provisional Property, until the date that all Bonds have been issued; and (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (vii) a credit for funds available to reduce the Special Tax levy, as determined by the CFD Administrator pursuant to the Indenture.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of the Community Facilities District, which are not exempt from the levy of the Special Tax pursuant to law or Section 8 of the Rate and Method.

Notwithstanding the above, under no circumstances will the Special Tax levied in any Fiscal Year against any Assessor’s Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased as a result of a delinquency or default in the payment of the Special Tax applicable to any other Assessor’s Parcel within the Community Facilities District by more than 10% above what would have been levied in the absence of such delinquencies or defaults.

The Special Tax shall be levied as long as necessary to meet the Special Tax Requirement for a period not to exceed 45 Fiscal Years commencing with Fiscal Year 2020-21, provided however that the

Special Tax will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined that all required interest and principal payments on Bonds have been paid.

Property owners may prepay and permanently satisfy the Special Tax Obligation by a cash settlement with the City as permitted under Government Code Section 53344 and in accordance with the Rate and Method.

The levy of the Special Tax commenced in fiscal year 2020-21 and there are currently no known material delinquencies in payment. Notwithstanding the lack of information on collections and delinquencies, see “SPECIAL RISK FACTORS – Special Tax Delinquencies” and “– Infectious Disease Outbreak” for the information with respect to the potential increased risk of future delinquencies resulting from the economic impact of COVID-19 or variants thereof and the potential of a grant of waivers on penalties, based on application and approval, benefiting taxpayers that do not make timely payment of property taxes, including the Special Taxes, due to the COVID-19 virus.

**Estimated Debt Service Coverage.** The issuance of the Series 2021 Bonds has been sized so that the levy of the Maximum Special Tax at Buildout of the 307 properties will be sufficient to provide for a debt service coverage ratio of not less than 110%. The Community Facilities District will only levy Special Taxes in an amount sufficient to fund the annual Special Tax Requirement (as defined in the Rate and Method).

Table 5 below sets forth the estimated debt service coverage for the Series 2021 Bonds for a representative Bond Year assuming Maximum Annual Debt Service on the Series 2021 Bonds. Pursuant to the Rate and Method, and subject to the Maximum Special Tax prescribed therein and permitted by the Act, the Community Facilities District will only levy Special Taxes in an amount sufficient to fund the annual Special Tax Requirement (as defined in the Rate and Method).

**Table 5**  
**City of Rancho Mirage Community Facilities District No. 4B**  
**(Del Webb Project)**  
**Maximum Special Tax and Series 2021 Bond Debt Service Coverage**

<b>Maximum Special Tax From Units With Building Permits<sup>(1)</sup></b>	<b>Maximum Special Tax at Buildout</b>	<b>Maximum Annual Debt Service</b>	<b>Priority Administration Expense</b>	<b>Coverage From Lots With Building Permits<sup>(1)</sup></b>	<b>Total Debt Service Coverage</b>
\$332,821	\$383,262	\$334,750	\$15,000	94.94%	110.01%

<sup>(1)</sup> Building permit data as of February 10, 2021.

Source: Willdan Financial Services; except Series 2021 Bonds Debt Service, which was provided by the Underwriter.

See “SECURITY FOR THE BONDS – Pledge of Net Special Tax Revenues” for other information regarding the Special Taxes.

**Estimated Sample Tax Bills.** Set forth in Table 6 below are estimated, sample property tax bills for Fiscal Year 2020-21 that would be received by individual homeowners in the Community Facilities District if their respective property was classified for such Fiscal Year as Developed Property under the Rate and Method. See “SPECIAL RISK FACTORS – Direct and Overlapping Indebtedness” for a table

that describes the overlapping indebtedness for which taxes would be levied on the parcels in the Community Facilities District as shown in the table below.

**Table 6**  
**Community Facilities District No. 4B of the City of Rancho Mirage**  
**(Del Webb Project)**  
**Fiscal Year 2020-21 Estimated Sample Tax Bill for a Developed Property**

<u>Home Prices Plan<sup>(1)</sup></u>	<u>Plan 1</u>	<u>Plan 5</u>	<u>Plan 10</u>
Base Price	\$388,260	\$455,210	\$626,980
Homeowner's Exemption	(7,000)	(7,000)	(7,000)
<b>Equals: Net Taxable Assessed Value</b>	<b>\$381,260</b>	<b>\$448,210</b>	<b>\$619,980</b>

<u>Fiscal Year 2020-21 Tax Distribution</u>	<u>Tax Rate</u>	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
<b>Ad Valorem Taxes<sup>(2)</sup></b>				
<b>General Property Tax Levy</b>	1.000%	\$ 3,813	\$ 4,482	\$ 6,200
Desert Community College District General Obligation Bonds	0.039	150	177	245
Palm Springs Unified School District General Obligation Bonds	0.103	394	463	641
CV Water District State Water Project	0.100	381	448	620
Total on Ad Valorem Taxes		\$ 4,357	\$ 5,122	\$ 7,085
<b>Fixed Rate Levies</b>				
CVWD Sewer Service Charge		\$295	\$295	\$295
City of Rancho Mirage Fire Protection		60	60	60
CSA 152-Rancho Mirage Stormwater		5	5	5
Rancho Mirage CFD No. 1 <sup>(3)</sup>		386	386	386
Coachella Valley Mosquito & RIFA		12	12	12
Rancho Mirage Fire Excise Tax		14	14	14
Rancho Mirage Citywide Park Tax		31	31	31
Rancho Mirage Citywide Landscape		26	26	26
Rancho Mirage CFD No. 4B		799	1,113	1,723
Total Fixed Rate Levies		\$ 1,628	\$ 1,942	\$ 2,552
Projected Total Property Taxes		\$ 5,985	\$ 7,064	\$ 9,637
Total Effective Tax Rate (As % of Net Taxable Assessed Value)		1.57%	1.58%	1.55%

<sup>(1)</sup> Based on Appraisal with a Date of Value of February 10, 2021.

<sup>(2)</sup> Estimate based on actual Fiscal Year 2020-21 *ad valorem* rates.

<sup>(3)</sup> Represents the Rancho Mirage CFD No. 1 special tax for funding police and fire services.

Source: Willdan Financial Services.

## The Facilities

Under the provisions of the Resolution of Formation and the Acquisition and Funding Agreement, the Facilities that may be financed with Bonds secured by Special Taxes consist of street improvements, storm drains, access ramps, roadways, sidewalk, curb, gutters, striping, lighting, traffic signalization, signage, landscaping of public streets, incidental expenses, and rights-of-way and appurtenant facilities, including fees to finance such facilities; dry utility facilities, including, but not limited to, electrical lines, undergrounding, pole relocation, incidental expenses, and appurtenant facilities, including fees to finance such facilities; City public benefit fees, including but not limited to,

traffic signals fees, bus shelter fees, City Hall / Corporate Yard fees, fire fees, park fees, and other required capital facilities' fees. CVWD facilities and fees are also authorized to be funded by the Community Facilities District.

The construction and acquisition of the Facilities to be owned by CVWD are governed by the terms of a Joint Community Facilities Agreement, dated as of February 1, 2018, by and among CVWD, the City and the Developer, under which the Developer is required to pay certain payment of the CVWD Fees as a condition of receiving water and sewer service to the Community Facilities District and to construct and transfer to CVWD certain facilities required by CVWD for domestic water and sanitation service. A portion of these facilities are intended to serve the larger Planning Area 8, and that portion allocable to the Community Facilities District will be paid from a portion of the proceeds of the Series 2021 Bonds. The Developer is required to ensure operating permit compliance and meet other success criteria before the CVWD will assume responsibility for operation and maintenance of the facilities.

As of February 10, 2021, approximately 100% of the Facilities to be constructed by the Developer for the benefit of the Community Facilities District and CFD No. 4A were substantially completed. The Developer expects to incur approximately \$22.2 million on remaining site development costs, home construction costs, and marketing and sales costs to complete its proposed development within the Community Facilities District. As described above under the caption "SECURITY FOR THE BONDS – Appraised Value," as a component of those remaining costs, the Developer has approximately \$850,749 of remaining costs (not to be financed with proceeds of the Series 2021 Bonds) attributable to the development of the Community Facilities District which include in-tract site costs, some off-site costs and related fees as of the Date of Value.

In addition to the Facilities to be constructed by the Developer, under the Acquisition and Funding Agreement, the Series 2021 Bond proceeds may be used to finance the costs of certain public facilities to be constructed by the City or another public agency for which the Developer will receive a credit for certain improvement fees, development impact fees, and/or water connection fees or be reimbursed for improvement fees, development impact fees, and/or water connection fees previously paid by the Developer.

#### **THE DEVELOPMENT AND THE DEVELOPER**

*The following information regarding the Developer and the ownership and planned development within the Community Facilities District has been provided by, or on behalf of, the Developer for use in this Official Statement, and has not been independently confirmed or verified by the Community Facilities District or the Underwriter. Neither the Community Facilities District nor the Underwriter makes any representation as to the accuracy or adequacy of this information or the absence of any material change after the date of this Official Statement. No assurance can be given that the proposed development will occur as described in this Official Statement or that it will be completed in a timely manner or that the Developer or its Parent Entity has the resources or the ability to complete the development as described in this Official Statement. See "SPECIAL RISK FACTORS."*

*The Series 2021 Bonds and the Special Taxes are not personal obligations of the Developer or any other current or subsequent property owners and, in the event the Developer or any other current or subsequent property owner defaults in the payment of Special Taxes, the Community Facilities District may proceed with judicial foreclosure but has no direct recourse to the assets of the Developer or any other current or subsequent property owner. As a result, other than as provided in this Official Statement, no financial statements or information is or will be provided about the Developer or any other current or subsequent property owner. The Series 2021 Bonds are secured solely by the Net*

***Special Tax Revenues and other amounts pledged under the Indenture. See “SECURITY FOR THE BONDS” and “SPECIAL RISK FACTORS.”***

## **The Development**

The Developer acquired the property within the Community Facilities District in August 2017 and October 2018 from certain Indian Allotees of the Agua Caliente Band of Cahuilla Indians, Palm Springs. Equivest LLC was the original buyer under an option agreement dated February 15, 2013. In the agreement Equivest assigned the option to SCC Rancho Mirage Holdings LP who then sold the option to the Developer. Final tract maps authorizing the subdivision of the land within the Community Facilities District were recorded on February 20, 2019 (Tract 36809-3 comprising 108 lots) and May 30, 2019 (Tract 36809-4 comprising 199 lots), which subdivided the Community Facilities District into 307 residential parcels.

The general area surrounding the Development includes developed lands, including golf courses, residences, a golf resort and spa, and undeveloped desert lands and the Agua Caliente Resort Casino (northeast of the subject site). The Development site is generally level at surrounding street grade of Los Alamos Road and Dinah Shore Drive.

## **The Developer**

***Pulte Home Company, LLC.*** As previously defined in this Official Statement, the Developer is Pulte Home Company, LLC, a Michigan limited liability company, an indirect wholly-owned subsidiary of PulteGroup, Inc., a Michigan corporation (the “Parent Entity”). The Parent Entity is a publicly-held holding company based in Atlanta, Georgia, whose subsidiaries engage primarily in the homebuilding business. The Parent Entity also has mortgage banking operations, conducted principally through Pulte Mortgage LLC, and title operations. The Parent Entity is a Michigan corporation organized in 1956 whose common stock trades on the New York Stock Exchange under the symbol “PHM.” The property in the Community Facilities District is being developed by the Developer’s southern California division.

Through its brands, which include Centex, Pulte Homes, Del Webb, DiVosta Homes, John Weiland Homes and Neighborhoods, and American West, the Parent Entity and its subsidiaries offer a wide variety of home designs, including single-family detached, townhouses, condominiums, and duplexes at different prices and with varying levels of options and amenities to the company’s major customer groups: first-time, move-up, and active adult. Over its history, the Parent Entity and its subsidiaries have delivered nearly 750,000 homes. As of December 31, 2020, the Parent Entity, through its subsidiaries, operated out of approximately 874 active communities in 40 markets across 23 states.

The Parent Entity is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith is obligated to file reports, proxy statements and other information, including financial statements, with the Securities and Exchange Commission (“SEC”). Such filings, particularly the Parent Entity’s annual report on Form 10-K for the fiscal year ended December 31, 2020, as filed with the SEC on February 2, 2021, set forth certain data relative to the consolidated results of operations and financial position of the Parent Entity and its subsidiaries, including the Developer as of such dates.

The SEC maintains an Internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including the Parent Entity. The address of such Internet web site is [www.sec.gov](http://www.sec.gov). All documents subsequently filed by the Parent Entity pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. Copies of the Parent Entity’s

Annual Report and each of its other quarterly and current reports, including any amendments, are available from the Parent Entity's website at [www.pultegroup.com](http://www.pultegroup.com). *The foregoing internet addresses are included for reference only and the information on these internet sites are not a part of this Official Statement and are not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such internet sites.*

### ***Development Plan***

Under its Del Webb brand, the Developer plans to develop 307 single family age-qualified homes in the Community Facilities District. These homes will be located in a gated planned residential community marketed as three product types known as the Classic series, Retreat series, and Encore series. The Classic series is planned to include 81 lots within Tract Nos. 36809-3 and 36809-4 with a minimum lot size 5,500 square feet and homes ranging from approximately 1,438 square feet to approximately 1,770 square feet. The Retreat series is planned to include 149 lots within Tract Nos. 36809-3 and 36809-4 with a minimum lot size of approximately 6,000 square feet and homes ranging from approximately 1,832 square feet to approximately 2,187 square feet. The Encore series is planned to include 77 lots within Tract Nos. 36809-3 and 36809-4 with a minimum lot size of approximately 7,500 square feet and homes ranging from approximately 2,337 square feet to approximately 2,726 square feet.

The Developer has completed the infrastructure improvements necessary to construct 307 planned residential units within the Community Facilities District. As of the February 10, 2021 Date of Value of the Appraisal, of the 307 planned residential units, 164 homes have closed to individuals and an additional 116 are sold, however not yet closed, consisting of 23 homes that are over 95% complete (all in escrow), 59 homes under construction (under 95% complete, 55 homes in escrow) and 61 remaining lots in a generally physically finished condition (38 lots in escrow). As of the Date of Value, 41 building permits remained to be pulled and 27 lots remain to be sold. Between the February 10, 2021 Date of Value and March 26, 2021, an additional 34 building permits had been issued, an additional 28 home sales had closed escrow to individual home buyers and the remaining 115 lots owned by the Developer were in escrow to individual home buyers. In total, 192 residential units have been conveyed to individual homeowners as of March 26, 2021.

Table 7 below sets forth the development status as of February 10, 2021.

**Table 7**  
**Community Facilities District No. 4B of the City of Rancho Mirage**  
**(Del Webb Project)**  
**Status of Planned Residential Development**  
**As of February 10, 2021**

<b>Plan No.</b>	<b>Series</b>	<b>Plan Description</b>	<b>Base Plan Square Footage</b>	<b>Base Price<sup>(1)</sup></b>	<b>Closed Homes</b>	<b>Under Construction</b>	<b>Completed Not Closed</b>	<b>Finished Lots</b>	<b>Total</b>
1	Classic	Getaway	1,438	\$407,990	15	4	2	5	26
2	Classic	Solitude	1,649	432,990	15	7	2	5	29
3	Classic	Expedition	1,759	454,990	11	7	1	7	26
4	Retreat	Sanctuary	1,832	471,990	26	6	1	7	40
5	Retreat	Haven	1,858	476,990	18	8	4	8	38
6	Retreat	Preserve	2,008	498,990	18	7	3	6	34
7	Retreat	Refuge	2,187	519,990	22	4	3	9	37
8	Encore	Serenity	2,329	585,990	12	5	2	5	24
9	Encore	Journey	2,504	610,990	14	5	3	5	27
10	Encore	Voyage	2,726	636,990	13	7	2	4	26
<b>Total</b>					<b>164</b>	<b>59</b>	<b>23</b>	<b>61</b>	<b>307</b>

<sup>(1)</sup> Base sales prices are as of February 10, 2021 or as of the date of sale of the last available plan. Base sales prices are exclusive of any premiums, options, upgrades, incentives and any selling concessions or prior reductions currently being offered. There can be no assurance that base sales prices in the future will not differ from the estimated/actual base sales prices set forth in the table.

<sup>(2)</sup> As of March 26, 2021, the Developer had closed 192 homes to homeowners, leaving 108 homes in various stages of construction (all 108 in escrow), and 7 finished lots owned by the Developer (all 7 in escrow). Homes under contract may not result in closed escrows as sales contracts are subject to cancellation.

Source: *The Developer*.

According to the Appraiser, the absorption analysis included as part of the Appraisal notes in conclusion that within Phase I (CFD No. 4A) and Phase II (CFD No. 4B), there is a total of 651 proposed homes with 590 sold to date (474 which have closed to individuals) suggesting an average sales rate of 18.4 homes per month, a rate much higher than the competing projects in the area which have absorption rates from a low of 1.1 sales per month to 6.8 sales per month. The lowest end of the absorption range is for a smaller project that halted construction and did not release new homes for over eight months due to COVID-19. All 23 of the Developer-owned homes that are over 95% complete have been released and all are in escrow and anticipated to close upon completion. The Appraiser has concluded that the 23, builder-owned homes will be absorbed over a two-month time period at the concluded prices. As noted herein and in the Appraisal, the remaining 120 lots (59 with homes under construction, 55 in escrow, and 61 finished lots, 38 in escrow) are owned by the Developer as of the Date of Value. See APPENDIX B.

### ***Financing Plan***

The Developer estimates that, as of March 26, 2021 it has expended approximately \$77.2 million on land acquisition, site development, and home construction costs related to the 307 homes that the Developer plans to construct within the Community Facilities District, and other development, marketing and sales costs (exclusive of internal financing repayment and corporate overhead allocation) related to its property in the Community Facilities District. The Developer expects to incur approximately

\$22.2 million on remaining site development, home construction costs and marketing and sales costs to complete its planned development within the Community Facilities District.

The Developer has financed its land acquisition and various site development and home construction costs related to its property in the Community Facilities District with cash generated from its home building operations and, where necessary, internal corporate financing from its Parent Entity. The Developer expects to finance its remaining site development and home construction costs to complete its planned development within the Community Facilities District with a combination of cash generated from its home building operations (including revenues generated from home sales in the Community Facilities District) and, where necessary, internal corporate financing from its Parent Entity. *Notwithstanding the internal corporate financing from its Parent Entity, and revenues generated from home sales in the Community Facilities District, there can be no assurance that the Developer will have timely access to the sources of funds which will be necessary to complete the remaining proposed development in the Community Facilities District. Neither the Developer nor its Parent Entity has a legal obligation to Owners of the Series 2021 Bonds to make any such funds available to fund the remaining development costs or to pay ad valorem property taxes or Special Taxes related to its property in the Community Facilities District. Many factors beyond the Developer's control, or a decision by the Developer to alter its current plans, may cause the actual sources and uses to differ from the projections.*

*If and to the extent that internal funding, including but not limited to home sales revenues and corporate financing from the Parent Entity is inadequate to pay the costs to complete the planned development by the Developer within the Community Facilities District and other financing by the Developer is not put into place, there could be a shortfall in the funds required to complete the proposed development by the Developer in the Community Facilities District and the remaining portions of the Developer's projects in the Community Facilities District may not be developed. See "SPECIAL RISK FACTORS – Failure to Develop Properties; Government Approvals" herein.*

At the time of delivery and payment for the Series 2021 Bonds, the Developer will deliver a certificate to the effect that there are no events of monetary default or events which with the passage of time would constitute a monetary default under any loan or similar credit arrangement to which Developer is a party the result of which could reasonably be expected to have a material adverse effect on the Developer's ability to complete its planned development and sale of the residential units within the Community Facilities District as described in this Official Statement or to pay the applicable Special Tax obligation levied on the property in the Community Facilities District owned by the Developer when due.

### ***COVID-19 Pandemic***

The development of the Developer's planned development within the Community Facilities District is subject to disruption due to the COVID-19 pandemic and related public health and governmental authorities' orders and actions. With housing construction considered an essential function, the Developer has largely continued, with certain modifications, its home construction and sales activities in the Community Facilities District. That is, the Developer has been able to sell, complete, obtain inspections for and close homes during such period, and intends to continue its operations to the extent permitted. See "SPECIAL RISK FACTORS – Infectious Disease Outbreak" herein.

During the early days of the COVID-19 pandemic, the Developer closed its sales offices and established a virtual appointment only program for homebuyers. However, the Developer's sales office for its development within the Community Facilities District was reopened and now customers have the option of an in-person tour or a virtual tour. While the Developer is no longer appointment-only in many of its new home galleries, in the event that the Developer believes it is advisable to re-implement such measures in all or some of its markets (including within the Community Facilities District) in response to

a resurgence of COVID-19 or orders by applicable governmental authorities, the Developer may experience negative impacts on its business and operations. As of the date of this Official Statement, the Developer has not experienced any material increases in costs, delays in home construction resulting from decisions to reduce financing for the project, work stoppages, reduced attendance of workers, lack of or delays in the delivery of building materials or the ability to obtain necessary inspections and approvals attributable to the COVID-19 pandemic.

The Developer cannot predict the ultimate effects of the COVID-19 outbreak and related public health and governmental authorities' orders and actions (including, without limitation, the scope of restrictions under the current or any amended shelter in place orders), on their ability to continue to sell and close units within the Community Facilities District. Such effects, if and as they arise, could have a material adverse effect on the ability to develop the Community Facilities District as planned, and no assurance can be provided that the Developer will be able to (a) complete in whole or in any part, or within any particular time, its planned development within the Community Facilities District; (b) avoid material increases in development costs or delays resulting from work stoppages, reduced attendance of workers, shortages or delays in the delivery of building materials, and/or delays in obtaining necessary inspections and approvals; or (c) close any additional homes or not experience additional purchase contract cancellations, due to in each case public health or governmental restrictions, further spread of COVID-19, an economic downturn driven by the pandemic, or otherwise.

### **Land Use Approvals and Environmental Review**

All discretionary entitlements are in place, and the Developer is not aware of any additional entitlements required to continue with development of its property in the Community Facilities District, other than building permits. All final tract maps for the property in the Community Facilities District were recorded on February 20, 2019 (Tract 36809-3 comprising 108 lots) and May 30, 2019 (Tract 36809-4 comprising 199 lots). A Phase I and Limited Phase II Environmental Site Assessment on the subject property and additional lands dated March 15, 2013, was prepared by Leighton and Associates, Inc. of Palm Desert, California. The report states that historically the site was vacant, undeveloped land. Subsequently, an Environmental Impact Statement on the subject property and additional lands dated March 2015, was prepared by Meridian Consultants of Westlake Village, California in connection with the approval of the Section 24 SP by the Agua Caliente Band of Cahuilla Indians. On June 16, 2016, the City Council approved that Environmental Impact Statement respecting the property in the Community Facilities District as being compliant with the California Environmental Quality Act (CEQA). The Developer is not aware of any current liabilities related to its property in the Community Facilities District with respect to the presence of substances presently classified as hazardous under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 or applicable California law, and is not aware of the presence of endangered or threatened species or habitat for endangered or threatened species that could adversely affect its proposed development of the property in the Community Facilities District.

### **Services**

Water service for both potable and reclaimed water in the Community Facilities District is provided by CVWD, which will also provide sanitation service through its wastewater treatment facilities. Electric service is provided by Southern California Edison and the City's Rancho Mirage Energy Authority (RMEA), a local renewable electric service provider. Homeowners have the option to choose based on cost of service. The City's community choice program was approved by the California Public Utilities Commission in January 2018 and commenced in May 2018. Natural gas service is provided by Southern California Gas. The Palm Springs Unified School District serves the Community Facilities District.

## Direct and Overlapping Indebtedness

The ability of an owner of land within the Community Facilities District to pay the Special Taxes could be affected by the existence of other taxes and assessments imposed upon the property. In addition, other public agencies whose boundaries overlap those of the Community Facilities District could, without the consent of the Community Facilities District, and in certain cases without the consent of the owners of the land within the Community Facilities District, impose additional taxes or assessment liens on the property within the Community Facilities District in order to finance public improvements to be located inside of or outside of the Community Facilities District. The lien created on the property within the Community Facilities District through the levy of such additional taxes or assessments may be on a parity with the lien of the Special Taxes. The Community Facilities District cannot predict the amount of additional debt or authorized but unissued bonds that will ultimately be issued by such local agencies, nor can it predict when such debt would be issued or the debt service payments thereon.

Table 8 below sets forth the direct and overlapping debt on the property in the Community Facilities District as of April 1, 2021, as reported by the Special Tax Consultant, and assumes the issuance of the Series 2021 Bonds:

**Table 8**  
**Community Facilities District No. 4B of the City of Rancho Mirage**  
**(Del Webb Project)**  
**Direct and Overlapping Debt**

Appraised Value as of February 10, 2021: \$110,143,592

	% Applicable	Debt 4/1/21
<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>		
Desert Community College District General Obligation Bonds	0.014%	\$ 55,921
Palm Springs Unified School District General Obligation Bonds	0.038	133,305
City of Rancho Mirage Community Facilities District No. 4B	100.000	6,175,000 <sup>(1)</sup>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$6,364,226</b>
<b>GROSS COMBINED TOTAL DEBT<sup>(2)</sup></b>		<b>\$6,364,226</b>
<b>COMBINED TOTAL DEBT<sup>(2)</sup></b>		<b>\$6,364,226<sup>(2)</sup></b>

**Ratios to 2/10/21 Appraised Value:**

Direct Debt (\$0) .....	5.61%
Total Direct and Overlapping Tax and Assessment Debt .....	5.78%
Combined Total Debt.....	5.78%

<sup>(1)</sup> Series 2021 Bonds to be sold. Preliminary, subject to change. All other indebtedness above is as of April 1, 2021.

<sup>(2)</sup> Excludes general fund debt, tax and revenue anticipation notes, enterprise revenue, mortgage revenue bonds and non-bonded capital lease obligations.

Source: Willdan Financial Services.

Not included numerically or otherwise in the descriptions of overlapping debt in Table 8 above or elsewhere in this Official Statement are assessments which may exist on properties within the Community Facilities District for the benefit of the Western Riverside Council of Governments (“WRCOG”) Property Assessed Clean Energy (“PACE”) Programs, in which multiple programs the County participates as a member, through WRCOG in collaboration with its private sector partners, which provide financing for energy efficiency, renewable energy, and water conservation retrofits on residential and commercial properties. Under this program a property owner is permitted to finance the up-front cost of energy or other eligible improvements on a property, with such costs financed over a term of years through a

voluntary assessment attached to the improved property. Payments for such projects and retrofits are secured by assessments on such participating residential and commercial properties. The overlapping debt information included in this Official Statement is necessarily understated by the amount of such assessments on properties within the Community Facilities District, if any.

### **SPECIAL RISK FACTORS**

*The purchase of the Series 2021 Bonds involves certain investment risks. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Series 2021 Bonds. The 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 Series 2021 Bonds, and this Official Statement should be read in its entirety for the purpose of making an informed investment decision.*

*The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the Community Facilities District to pay their Special Taxes when due. Such failure to pay Special Taxes could result in the inability of the Community Facilities District to make full and punctual payments of debt service on the Series 2021 Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the Community Facilities District.*

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

The Owners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (a) 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 homes or institutional facilities and/or sites in the event of sale or foreclosure, (b) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to hazardous materials) and fiscal policies, (c) natural disasters (including, without limitation, earthquakes, wildfires, floods and droughts), which may result in uninsured losses; and (d) increased delinquencies due to rising mortgage costs and other factors. No assurance can be given that the individual property owners will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See “– Bankruptcy and Foreclosure Delays” for a discussion of certain limitations on the Community Facilities District’s ability to pursue judicial proceedings with respect to delinquent parcels.

#### **Limited Obligations**

The Series 2021 Bonds and the interest thereon and all obligations of the Community Facilities District under the Indenture shall be special obligations of the Community Facilities District, payable solely from Special Tax Revenues and the other assets pledged therefor hereunder; provided, however, that all obligations of the Community Facilities District under the Series 2021 Bonds shall be special obligations of the Community Facilities District, payable solely from Net Special Tax Revenues and the other assets pledged therefor hereunder. Neither the faith and credit nor the taxing power of the Community Facilities District (except to the limited extent set forth herein), the City, or the State of California, or any political subdivision thereof, is pledged to the payment of the Series 2021 Bonds.

The Community Facilities District’s legal obligations with respect to any delinquent Special Taxes are limited to: (1) payments from the Reserve Fund to the extent of funds on deposit therein; and (2) the institution of judicial foreclosure proceedings under certain circumstances with respect to any parcels for which Special Taxes are delinquent. See “SECURITY FOR THE BONDS – Covenant for

Superior Court Foreclosure.” The Series 2021 Bonds cannot be accelerated in the event of any default. The obligation to pay Special Taxes does not constitute a personal obligation of the current or subsequent owners of the respective parcels which are subject to such liens. Enforcement of Special Tax payment obligations by the Community Facilities District is limited to judicial foreclosure in the County Superior Court. There is no assurance that any current or subsequent owner of a parcel subject to a Special Tax lien will be able to pay the amounts due or that such owner will choose to pay such amounts even though financially able to do so.

### **Concentration of Ownership**

As of the Date of Value, the Developer owned 143 of the 307 residential lots, consisting of 23 which have homes that are over 95 percent complete (all in escrow and due to close upon completion) owned by the Developer, and 120 lots (59 with homes under construction and 93 in escrow). See Table 2 in “SECURITY FOR THE BONDS – Appraised Value.” Lack of diversity of ownership in the Community Facilities District, and, therefore, in the obligation to pay Special Taxes, presents a risk to Owners of Series 2021 Bonds. Failure of the Developer or owners of the property within the Community Facilities District to pay the annual Special Taxes when due could result in the rapid, total depletion of the Reserve Fund prior to replenishment from the resale of property upon a foreclosure or otherwise. In that event, there could be a default in payments of the principal of, and interest on, the Series 2021 Bonds. See “SPECIAL RISK FACTORS – Insufficiency of Special Tax Revenues” below. As of the Date of Value, 143 lots were owned by the Developer (consisting of 61 finished lots, 59 lots under construction and 23 production homes that are over 95 percent complete). As of the Date of Value, 41 building permits remained to be pulled and 27 lots remain to be sold. Between the Date of Value and March 26, 2021, an additional 28 residential units have been conveyed to individual homeowners and 115 were sold. Homes sold may not result in closed escrows as sales contracts are subject to cancellation.

### **Failure to Develop Properties; Government Approvals**

Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. Such approvals, once obtained, may still be challenged or subject to subsequent referendum, and issuance of additional building permits for the homes in the Development may be delayed. Revocation or challenge of any such agency approval could adversely affect the planned land development.

All discretionary entitlements are in place and the Developer is not aware of any additional entitlements required to continue with development of its property in the Community Facilities District, other than the remaining building permits. See “THE DEVELOPMENT AND THE DEVELOPER – Land Use Approvals and Environmental Review.”

The development of land is also subject to economic considerations such as the strength of the regional economy and the resulting demand for land and homes. Another economic downturn, similar to the recent national recession, for example, could adversely impact the demand for homes and land development operations generally throughout the Rancho Mirage and Coachella area. See “SPECIAL RISK FACTORS – Failure to Achieve Market Projections.” Other factors out of the control of the Developer, such as weather conditions, may delay development.

Owners of the Series 2021 Bonds should assume that any event that significantly impacts the ability to develop land in the Community Facilities District could cause the property values within the Community Facilities District to decrease from those estimated by the Appraiser and could affect the

willingness and ability of the owners of land within the Community Facilities District to pay the Special Taxes when due. See “THE DEVELOPMENT AND THE DEVELOPER – The Development” for information regarding the status of development in the Community Facilities District.

### **Failure to Achieve Market Projections**

As of the Date of Value, of the 307 planned residential units subject to the Special Tax levy in the Community Facilities District, 164 homes have closed to individuals and an additional 116 are sold, however not yet closed, consisting of 23 homes that are over 95% complete (all in escrow), 55 homes under construction (under 95% complete) and 38 remaining lots in a generally physically finished condition. As of the Date of Value, 41 building permits remained to be pulled and 27 lots remain to be sold. Between the February 10, 2021 Date of Value and March 26, 2021, an additional 34 building permits had been issued, and an additional 28 home sales had closed escrow to individual home buyers. In total, 192 residential units have been conveyed to individual homeowners as of March 26, 2021. See APPENDIX B.” Prospective purchasers of the Series 2021 Bonds should not assume that the absorption of the 115 Developer-owned homes and lots incorporated as part of the Appraisal in order to make an informed decision whether to purchase the Series 2021 Bonds.

### **Competition**

The housing market in the area in which the Community Facilities District is located has other pending and proposed projects that may be competitive with the projects in the Community Facilities District. This competition could impact the future value of the property and the rate at which homes are sold and absorbed. See the Appraisal in APPENDIX B and “SPECIAL RISK FACTORS – Failure to Achieve Market Projections.”

### **Land Value**

The value of land within the Community Facilities District is a critical factor in determining the investment quality of the Series 2021 Bonds. If a landowner defaults in the payment of a Special Tax, the Community Facilities District’s only remedy is to commence foreclosure proceedings in an attempt to obtain funds to pay the delinquent Special Tax.

Prospective purchasers of the Series 2021 Bonds should not assume that the land within the Community Facilities District could be sold for the appraised value described under the heading “SECURITY FOR THE BONDS – Appraised Value” at a foreclosure sale for delinquent Special Taxes. For example, it is unlikely that common ownership would be maintained through foreclosure sales of multiple delinquent parcels because at foreclosure each parcel must be sold separately for the Special Tax lien claims against it and multiple parcels may not be foreclosed in a single “bulk” foreclosure sale. In particular, the Appraiser notes that it has assumed that the cost information provided by the Developer is true and accurate, and that it has reviewed and analyzed the summarized costs as received and they appear reasonable; however, it does not have expertise in cost estimating and if the actual remaining costs differ, it will affect the value of the property. See APPENDIX B – “APPRAISAL REPORT” for descriptions of other assumptions made by the Appraiser in determining its appraised values for the property in the Community Facilities District.

Additionally, reductions in land values within the Community Facilities District could occur due to a downturn in the economy, physical events such as earthquakes or floods or other events, all of which will adversely impact the security underlying the Special Tax.

## **Local, State and Federal Land Use Regulations**

There can be no assurance that land development operations within the Community Facilities District will not be adversely affected by future government policies, including, but not limited to, governmental policies which directly or indirectly restrict or control development. During the past several years, citizens of a number of local communities in California have placed measures on the ballot designed to control the rate of future development. It is possible that future initiatives applicable to the City or the Community Facilities District could be enacted and could negatively impact the ability of the property owners to further develop their land. In addition, state or federal laws and regulations could be adopted which would have preemptive effect on local land use regulations.

During the past several years, state and federal regulatory agencies have significantly expanded their involvement in local land use matters through increased regulatory enforcement of various environmental laws, including the Endangered Species Act, the Clean Water Act and the Clean Air Act, among others. Such regulations can substantially impair the rate and amount of development without requiring just compensation unless the effect of the regulation is to deny all economic use of the affected property. While the Developer believes that it has obtained all relevant environmental approvals for the Development of the nature described in the second preceding sentence (see “THE DEVELOPMENT AND THE DEVELOPER – Land Use Approvals and Environmental Review”), Owners of Series 2021 Bonds should assume that any event that significantly impacts the ability to develop land in the Community Facilities District could cause the land values within the Community Facilities District to decrease substantially and could affect the willingness and ability of the owners of land to pay the Special Taxes when due or to proceed with development of land in the Community Facilities District. See “SPECIAL RISK FACTORS – Governmental Approvals” and “– Land Values” herein.

## **Maximum Annual Special Tax Rates**

Within the limits of the Rate and Method, the Community Facilities District may adjust the Special Tax levy on all property within the Community Facilities District to provide the amount required each year to pay Annual Debt Service, to replenish the Reserve Fund to an amount equal to the Reserve Requirement and to pay Administrative Expenses. Pursuant to the Rate and Method, the Special Taxes levied on Developed Property will always be levied in an amount sufficient to satisfy the Special Tax Requirement. However, the amount of Special Tax that may be levied against each category of Approved Property and Undeveloped Property is subject to the maximum tax rate set forth in the Rate and Method. In the event of significant Special Tax delinquencies, there is no assurance that said maximum tax rates would be sufficient to pay the amounts required to be paid pursuant to the Indenture.

Furthermore, pursuant to the Rate and Method, and also pursuant to Section 53321(d) of the Government Code, the special tax levied against any Assessor’s Parcel for which an occupancy permit for private residential use has been issued shall not be increased as a consequence of delinquency or default by the owner of any other Assessor’s Parcel within the Community Facilities District by more than 10% above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults. As a result, it is possible that the Community Facilities District may not be able to increase the tax levy to a level sufficient to collect Special Tax in the amount specified in the Rate and Method in all years. However, subject to the limitations on the Community Facilities District’s ability to levy the necessary amount of Special Taxes as imposed by the Rate and Method and by Section 53321(d) of the Government Code, the Community Facilities District can levy Special Taxes on Approved Property, Undeveloped Property and Provisional Property (as defined in the Rate and Method) to make up all or a portion of any shortfall in the Special Tax levy. See “THE COMMUNITY FACILITIES DISTRICT – Rate and Method of Apportionment of Special Tax” and APPENDIX A – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

## **Insufficiency of Special Tax Revenues**

In order to pay debt service on the Series 2021 Bonds, it is necessary that the Special Taxes levied against land within the Community Facilities District be paid in a timely manner. Should the Special Taxes not be paid on time, the Community Facilities District has established the Reserve Fund to pay debt service on the Series 2021 Bonds to the extent other funds are not available therefore. Although the Community Facilities District may levy the Special Taxes in an amount sufficient to replenish the Reserve Fund, the levy would be subject to the maximum annual Special Tax rates set forth in the Rate and Method and the limitation in the Act on increasing the Special Tax levy on property in residential use by no more than 10% as a consequence of delinquencies in the payment of Special Taxes. See “THE COMMUNITY FACILITIES DISTRICT – Rate and Method of Apportionment of Special Tax.” As discussed below, Net Special Tax Revenues could be insufficient to pay the Series 2021 Bonds either due to nonpayment of the amounts levied or in the event that acreage within the Community Facilities District were to become exempt from taxation due to title being transferred to a public agency.

The Act provides that, if any property within the Community Facilities District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. The Owners of Series 2021 Bonds will be dependent on the ability and/or willingness of the public entity to pay the Special Tax levied on such property when due. In addition, 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 and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested. If for any reason property subject to the Special Tax becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government, or another public agency, subject to the limitation of the maximum authorized rate of levy, the Special Tax will be reallocated to the remaining taxable properties within the Community Facilities District, but in no case more than the maximum authorized Special Tax for such properties. If a substantial portion of land within the Community Facilities District became exempt from the Special Tax because of public ownership or otherwise, the maximum Special Tax which could be levied upon the remaining acreage might not be sufficient to pay principal of and interest on the Series 2021 Bonds when due and a default may occur with respect to the payment of such principal and interest.

The Community Facilities District has covenanted to institute foreclosure proceedings under specified circumstances to sell property with delinquent Special Taxes in order to obtain funds to pay debt service on the Series 2021 Bonds. If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of delinquent Special Taxes to protect its security interest. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure” for provisions which apply in the event foreclosure is required and which the Community Facilities District is required to follow in the event of delinquency in the payment of Special Taxes. In the event such superior court foreclosure or foreclosures are necessary, there could be a delay in payments to Owners of the Series 2021 Bonds pending prosecution of the foreclosure sale, if the Reserve Fund were depleted.

No assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold, or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Taxes. Although the Act authorizes the Community Facilities District to cause such an action to be commenced and diligently pursued to completion, the Act does not specify the obligations of the Community Facilities District with regard to purchasing or otherwise acquiring any lot or parcel of property sold at the execution sale pursuant to the judgment in any such action if there is no other purchaser at such sale.

## **Potential Early Redemption of Bonds from Special Tax Prepayments**

Property owners within the Community Facilities District are permitted to prepay their Special Taxes at any time. Such payments will result in a mandatory redemption of Series 2021 Bonds from a prepayment of Special Taxes on the Interest Payment Date for which timely notice may be given under the Indenture following the receipt of such prepayment of Special Taxes. The resulting redemption of Series 2021 Bonds purchased at a price greater than par could reduce the otherwise expected yield on such Series 2021 Bonds. See “THE SERIES 2021 BONDS – Redemption – Mandatory Redemption from Special Tax Prepayments.”

## **Special Tax Delinquencies**

Special Tax will be billed to properties within the Community Facilities District on the *ad valorem* property tax bills sent to owners of such properties by the County. Such Special Tax installments will be due and payable and bear the same penalties and interest for non-payment, as do *ad valorem* property tax installments.

Significant delinquencies in the payment of annual Special Tax installments, or delays in the prosecution of foreclosure proceedings to collect such Special Taxes, could result in the depletion of the Reserve Fund and default in payment of debt service on the Series 2021 Bonds. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure,” for a discussion of the provisions that apply, and the procedures that the Community Facilities District is obligated to follow, under the Indenture in the event of delinquencies in the payment of Special Taxes. See “– Property Interest of Government Agencies; Federal Deposit Insurance Corporation” and “– Bankruptcy and Foreclosure Delays” for a discussion of the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes and limitations on the Community Facilities District’s ability to foreclose on the lien of the Special Taxes in certain circumstances.

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

The County Treasurer-Tax Collector will, pursuant to State law waive penalties for property taxpayers who, as a result of the impact of COVID-19 do not pay an installment of their property tax bills, on qualifying properties. The definition of qualifying properties draws from a combination of State and federal definitions to include residences and a great majority of small businesses. Those requesting such a waiver must file a penalty cancellation form and documentation to support the requested waiver.

In addition, on May 6, 2020, the Governor signed Executive Order N-61-20 (“Order N-61-20”). Under Order N-61-20, certain provisions of the California Revenue and Taxation Code are suspended until May 6, 2021, to the extent said provision require a tax collector to impose penalties, costs or interest for the failure to pay secured or unsecured property taxes, or to pay a supplemental bill, before the date that such taxes become delinquent, subject to certain conditions set forth in Order N-61-20. See “SPECIAL RISK FACTORS – Infectious Disease Outbreak” information related to the potential impact of COVID-19 on ability or willingness of property owners to pay Special Taxes and for the potential of a grant of waivers on penalties, based on application and approval, benefiting taxpayers that do not make timely payment of property taxes, including the Special Taxes, due to the COVID-19 virus.

## **Cybersecurity**

The City, including on behalf of the Community Facilities District, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As the custodian of such information, the City, including on behalf of the Community Facilities District, may face cybersecurity threats from time to time including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the City, including on behalf of the Community Facilities District's systems for the purposes of misappropriating assets or information or causing operational disruption or damage.

The City has never had a major cyber breach that resulted in a financial loss. The City maintains insurance coverage for cyber security losses should a successful breach ever occur.

No assurance can be given that the City, including on behalf of the Community Facilities District's efforts to manage cyber threats and attacks will, in all cases, be successful or that any such attack will not materially impact the operations or finances of the City, including on behalf of the Community Facilities District,. The Community Facilities District is reliant on other entities and service providers, such as the County Treasurer for investment of funds and levy of the Special Taxes, the Trustee in its role as Trustee, and Willdan Financial Services, in its role as Special Tax Consultant and in its role as Dissemination Agent in connection with compliance with its disclosure undertakings. No assurance can be given that the City or the Community Facilities District may not be affected by cyber threats and attacks against other entities or service providers in a manner which may affect the Owners or Beneficial Owners of the Series 2021 Bonds, e.g., systems related to the timeliness of payments to Owners of the Series 2021 Bonds or compliance with disclosure filings pursuant to the Continuing Disclosure Agreement.

## **Infectious Disease Outbreak**

In general, the outbreak of a highly contagious disease or epidemic disease could harm the value of property in the Community Facilities District or the willingness or ability of owners to pay property taxes as and when due. The current impacts of COVID-19 have raised general awareness that the ability or willingness of property owners to pay the Special Tax on property in the Community Facilities District when due, the value of the property in the Community Facilities District, development and/or sale of homes within the Community Facilities District, or the ability of the Community Facilities District to collect delinquent Special Taxes through judicial foreclosure could be adversely affected by a global, national or localized outbreak of an infectious disease, such as the COVID-19 virus, or by the fear of such an outbreak, including such things as supply chain slowdowns or shutdowns resulting from the unavailability of workers in locations producing construction materials, slowdowns or shutdowns by local governmental agencies in providing governmental permits, inspections, title and document recordation or other services and activities related to real estate development. Further, alterations in the behavior of businesses and people due to an infectious disease can occur in a manner that has a negative impact on global and/or local economies, and which results in a volatile stock market response. Such events and other factors resulting from such an outbreak, particularly if prolonged, could result in, or increase the likelihood of, the occurrence of certain of the other potential adverse effects described in this Official Statement, including those relating to declines in the value of property, slowing of development and/or sale of homes within the Community Facilities District, the inability or unwillingness to pay the Special Tax, and delays in (or insufficient funds received from) the collection of delinquent Special Taxes through judicial foreclosure. A future outbreak of the COVID-19 virus or another infectious disease or the fear of any such outbreak could have similar or additional adverse effects. Neither the Community Facilities District nor the City can predict the ultimate effects of the COVID-19 virus outbreak or any

future outbreak or potential future outbreak of an infectious disease, or whether any such effects would have a material adverse effect on the ability to develop the Community Facilities District as planned, the ability or willingness of property owners to pay Special Taxes when due, or the ability of either Community Facilities District to pay the principal of, and interest on, the Series 2021 Bonds when due.

*COVID-19 Background.* The outbreak of the respiratory disease caused by COVID-19 has been declared a pandemic by the World Health Organization, a national emergency by President Trump and a state of emergency by the Governor of the State. The current spread of COVID-19 has altered the behavior of businesses and people in a manner that has had negative effects on global, national and local economies. Additionally, stock markets in the U.S. and globally have seen significant recent declines and volatility attributed to concerns about the COVID-19 virus. As a result, the amount of Special Taxes to be collected semi-annually on the real property within the Community Facilities District and development and/or sale of homes within the Community Facilities District could be adversely affected by such events beyond either Community Facilities District's control. See also, "SECURITY FOR THE 2020 BONDS – The Special Taxes" and "– Covenant for Superior Court Foreclosure" for further information regarding the collection and distribution of delinquent Special Taxes.

*Specific Information Regarding Responses to the COVID-19 Virus.* After California Governor Gavin Newsom's declaration of a State of Emergency to exist in California as a result of the threat of the COVID-19 virus and the issuance of the State-wide stay-at-home order, the County Tax Collector in March 2020, announced his plan to grant waivers on penalties to taxpayers as allowed by existing law to assist them during these challenging times, providing for taxpayers that do not make payment of property taxes, including the Special Taxes, due to the COVID-19 virus by April 10. Such taxpayers would be expected to submit to the Treasurer-Tax Collector a "cancellation of penalty request form" and documentation to support the cancellation of penalties as allowed in limited circumstances under current State law, allowing for waiver of penalties, costs and other charges when failure to make a timely payment is due to reasonable cause and circumstances beyond the taxpayer's control, and occurred notwithstanding the exercise of ordinary care in the absence of willful neglect. Related thereto, On May 6, 2020, California Governor Gavin Newsom issued Executive Order N-61-20, which ordered that certain provisions of the California Revenue and Taxation Code were suspended until May 6, 2021, to the extent those provisions require a tax collector to impose penalties, cost, or interest for the failure to pay taxes on property on the secured or unsecured roll, or to pay a supplemental bill, before the dates and time such taxes became delinquent, and that a tax collector shall cancel such penalties, costs, and interest provided all of several conditions are satisfied, including that the taxpayer demonstrates to the satisfaction of the tax collector that the taxpayer has suffered economic hardship, or was otherwise unable to tender payment of taxes in a timely fashion, due to the COVID-19 pandemic, or any local, state or federal government response to COVID-19.

*Plans to Re-Open the Economy.* On August 28, 2020, the Governor released a new system, "Blueprint for a Safer California," which places the State's 58 counties into four color-coded tiers — purple, red, orange and yellow, in descending order of severity — based on the number of new daily cases of COVID-19 and the percentage of positive tests. Counties must spend at least three weeks in each tier before advancing to the next one. As of October 20, 2020, the County was assigned to the purple tier. As of March 17, 2021, the County was assigned to the red tier.

*Additional Information.* The COVID-19 health crisis is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the health crisis, and the economic and other of actions that may be taken by governmental authorities to contain the health crisis or to treat its impact are uncertain. The City and the Community Facilities District are unable to predict at this time whether new proposals will be enacted or in what form they may take, or whether any new requirements related to reducing the spread of COVID-19 will materially impact its finances or operations. Additional

information with respect to events surround the health crisis of COVID-19 and responses thereto can be found on federal, State and local government websites, including but not limited to: the CDC (<https://www.cdc.gov>), the Governor's office (<http://www.gov.ca.gov>), the California Department of Public Health (<https://covid19.ca.gov/>) and the local County health agency (<https://rivcoph.org/coronavirus>). The information on these websites are not incorporated by reference herein, and neither the Community Facilities District nor the City can take responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein.

The ultimate impact of COVID-19 is unknown. There can be no assurances that the spread of COVID-19, or the responses thereto by local, State, or the federal government, will not materially adversely impact the local, State and national economies or the assessed valuation of property within the Community Facilities District.

### **Bankruptcy and Foreclosure Delays**

The payment of Special Taxes and the ability of the Community Facilities District to foreclose the lien of a delinquent unpaid Special Tax, as discussed in the section herein entitled "SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure," may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. In addition, the prosecution of a foreclosure could be delayed due to crowded local court calendars or legal delaying tactics.

The various legal opinions to be delivered concurrently with the delivery of the Series 2021 Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Regardless of the priority of the Special Taxes securing the Series 2021 Bonds over non-governmental liens on a parcel, the exercise by the Community Facilities District of the foreclosure and sale remedy may be forestalled or delayed by bankruptcy, reorganization, insolvency, or other similar proceedings of the owner of, or anyone else who claims an interest in, a parcel. The federal bankruptcy laws provide for an automatic stay of foreclosure and sale proceedings, thereby delaying such proceedings perhaps for an extended period. Delay in exercise of remedies or the institution of bankruptcy proceedings may cause Special Tax collections to be insufficient to pay debt service on the Series 2021 Bonds.

Further, should remedies be exercised under the bankruptcy law against a parcel, payment of Special Taxes may be subordinated to other claims in the bankruptcy proceedings. Thus, certain claims may have priority over a claim for unpaid Special Taxes, even though, in the absence of the bankruptcy proceedings, no such priority would exist.

The Act provides that the Special Taxes are secured by a continuing lien which is subject to the same lien priority in the case of delinquency as *ad valorem* property taxes. Pursuant to the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, P.L. 109-8, the lien for special taxes established after the filing of a petition in bankruptcy will be treated thereafter as a lien for *ad valorem* taxes. However, the amount of any such lien on property with 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. The amount of the delinquent Special Taxes in excess of the reduced lien would then be treated as an unsecured claim by the court.

Any prohibition of or delay in the enforcement of the Special Tax lien would increase the likelihood of a delay or default in payment of the principal of and interest on the Series 2021 Bonds. Because a substantial portion of the taxable property in the Community Facilities District is initially owned by the Developer, the payment of Special Taxes and the ability of the Community Facilities District to foreclose the lien of a delinquent unpaid Special Tax could be substantially curtailed by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. No assurances can be given that any financial difficulties experienced by the Developer will not adversely affect the completion of the Development.

### **Hazardous Materials**

While government taxes, assessments and charges are a common claim against the value of a taxed parcel, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized to pay the Special Tax is a claim with regard to a hazardous substance. In general, the owners and operators of a taxed parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1989, sometimes referred to as "CERCLA" or "Superfund Act," is one such law, but California laws with regard to hazardous substances are also stringent and somewhat similar. Under many of these laws, the owner (or operator) is obligated to remediate hazardous substances on, under or about the property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance; however, an owner (or operator) who is not at fault may seek recovery of its damages from the actual wrongdoer. The effect, therefore, should any of the taxed parcels be affected by a hazardous substance, may be to reduce the marketability and value of the parcel, because the purchaser, upon becoming an owner, may become obligated to remedy the condition just as is the seller.

### **Natural Disasters; Seismic Hazards**

Natural disasters, including floods and earthquakes, could damage improvements and/or property in the Community Facilities District, or impair the ability of landowners within the Community Facilities District to develop their properties or to pay property taxes.

There are several identified faults within close proximity to or within the boundaries of the Community Facilities District, including the Southern Segment of the San Andreas Fault that could potentially result in damage to buildings, roads, bridges, and property within the Community Facilities District in the event of an earthquake. Past earthquakes have resulted in minimal damage to the infrastructure and property within the City. A majority of the property within the City has been developed in conformity with the 1988 Uniform Building Code standards.

However, like other areas of Southern California, property in the Community Facilities District is subject to the risk of major earthquake damage. Known active faults that could cause significant ground shaking in the Community Facilities District include, but are not limited to, the Southern Segment of the San Andreas Fault. It should be assumed, therefore, that an earthquake or one or more of such other conditions may occur and may cause damage to improvements on parcels in the Community Facilities District of varying seriousness, that such 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 usability or because other considerations may preclude such repair or replacement. Consequently, the occurrence of any of these conditions could result in a significant decrease in the market value of property in the Community Facilities District or in such property becoming unmarketable. Most recently, southern California has experienced a series of significant earthquakes centered in and around the Ridgecrest area, approximately 181 miles north of the City. The City reports

that although these earthquakes and aftershocks were felt within the City, no significant structural damage has been reported.

If an earthquake were to substantially damage or destroy taxable property within the Community Facilities District, the assessed valuation of such property would be reduced. Such a reduction of assessed valuations could result in a reduction of the Special Tax Revenues that secure the Series 2021 Bonds.

The Appraisal states that the Community Facilities District is not located within an Alquist Priolo Earthquake study zone. Also according to the Appraisal, the Community Facilities District is located within FEMA Map 06065C1595G dated August 28, 2008. The site is shown as Zone X which is outside of any flood zone area.

### **Property Interest of Government Agencies; Federal Deposit Insurance Corporation**

The ability of the Community Facilities District to collect the Special Taxes, and interest and penalties specified by State law, and to foreclose or to compel the foreclosure of the lien of delinquent Special Taxes may be limited in certain respects with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC") or other similar federal governmental agencies has or obtains an interest. On June 4, 1991, the FDIC issued a Statement of Policy Regarding the Payment of State and Local Property Taxes (the "1991 Policy Statement"). The 1991 Policy Statement was revised and superseded by a new Policy Statement effective January 9, 1997 (the "Policy Statement"). The Policy Statement provides that real property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-*ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Act and a special tax formula which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. With respect to property in California owned by the FDIC on January 9, 1997, and that was owned by the Resolution Trust Corporation ("RTC") on December 31, 1995, or that became the property of the FDIC through foreclosure of a security interest held by the RTC on that date, the FDIC will continue the RTC's prior practice of paying special taxes imposed pursuant to the Act if the taxes were imposed prior to the RTC's acquisition of an interest in the property. All other special taxes may be challenged by the FDIC.

The Community Facilities District is unable to predict what effect the FDIC's application of the Policy Statement would have in the event of a delinquency on a parcel within the Community Facilities

District in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed at a judicial foreclosure sale would reduce or eliminate the persons willing to purchase a parcel at a foreclosure sale. Owners of the Series 2021 Bonds should assume that the Community Facilities District will be unable to foreclose on any parcel owned by the FDIC. Such an outcome could cause draws on the Reserve Fund and perhaps, ultimately, a default in payment on the Series 2021 Bonds. Based upon the secured tax roll for Fiscal Year 2020-21, the FDIC does not presently own any of the property in the Community Facilities District.

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

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.

Similarly, in the event a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, or a private deed of trust secured by a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, the ability to foreclose on the parcel or to collect delinquent Special Taxes may be limited. Federal courts have held that, based on the supremacy clause of the United States Constitution ("This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, anything in the Constitution or Laws of any State to the contrary notwithstanding"), in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest. This means that, unless Congress has otherwise provided, if a federal government entity owns a parcel of taxable property but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments. Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and a 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.

### **Disclosure to Future Property Owners or Lenders**

The Community Facilities District has recorded a Notice of Special Tax Lien in the Office of the County Recorder. While title insurance and search 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 the Special Tax obligation imposed on parcels in the Community Facilities District in the purchase of property or the lending of money thereon. Under the Act, the Developer will also have an obligation to disclose the existence of the Special Taxes to homebuyers. Failure to disclose the existence of the Special Tax may affect the willingness and ability of future owners of property within the Community Facilities District to pay the Special Tax when due.

## **Non-Cash Payments of Special Taxes**

Under the Act, the Community Facilities District may reserve to itself the right and authority to allow the owner of any taxable parcel to tender a Bond in full or partial payment of any installment of the Special Taxes or the interest or penalties thereon. A Bond so tendered is to be accepted at par and credit is to be given for any interest accrued thereon to the date of the tender. Thus, if Bonds can be purchased in the secondary market at a discount, it may be to the advantage of an owner of a taxable parcel to pay the Special Tax applicable thereto by tendering a Bond. Such a practice would decrease the cash flow available to the Community Facilities District to make payments with respect to any Series 2021 Bonds then outstanding; and, unless the practice was limited by the Community Facilities District, the Special Tax paid in cash could be insufficient to pay the debt service due with respect to the Series 2021 Bonds. In order to provide some protection against the potential adverse impact on cash flows which might be caused by the tender of Bonds in payment of the Special Tax, the Indenture includes a covenant pursuant to which the Community Facilities District will not authorize owners of taxable parcels to satisfy Special Tax obligations by the tender of Bonds unless the Community Facilities District shall have first obtained a report of an Independent Financial Consultant certifying that doing so would not result in the Community Facilities District having insufficient Net Special Tax Revenues to pay the principal of and interest on all Outstanding Bonds when due.

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

An owner of a property is not personally obligated to pay the Special Tax. The Special Tax is an obligation which is secured only by a lien against the property on which it is levied. If the value of a taxable parcel is not sufficient, taking into account other liens imposed by public agencies, to secure fully the payment of the Special Tax, the Community Facilities District has no recourse against the owner. See “SPECIAL RISK FACTORS – Direct and Overlapping Indebtedness” for a table showing overlapping indebtedness payable from taxes to be levied on parcels in the Community Facilities District.

## **Limitations on Remedies**

Remedies available to the owners of the Series 2021 Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Series 2021 Bonds or to preserve the tax-exempt status of the Series 2021 Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Series 2021 Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer, or other similar laws affecting creditors’ rights generally, by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases and by limitations on remedies against public agencies in the State of California. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners of the Series 2021 Bonds.

## **Loss of Tax Exemption**

As discussed under the caption “CONCLUDING INFORMATION – Tax Matters” herein, interest on the Series 2021 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Series 2021 Bonds were issued, as a result of future acts or omissions of the Community Facilities District in violation of its covenants in the Indenture. Should such an event of taxability occur, the Series 2021 Bonds are not subject to a special redemption and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Indenture.

In addition, legislation affecting the tax exemption of interest on the Series 2021 Bonds may be considered by the United States Congress and the State legislature. Federal and state court proceedings and the outcome of such proceedings could also affect the tax exemption of interest on the Series 2021 Bonds. No assurance can be given that legislation enacted or proposed, or actions by a court, after the date of delivery of the Series 2021 Bonds will not have an adverse effect on the tax exemption of interest on the Series 2021 Bonds or the market value of the Series 2021 Bonds.

### **Proposition 218**

An initiative measure commonly referred to as the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIIC (“Article XIIC”) and Article XIID to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.”

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

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

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the Series 2021 Bonds.

It may be possible, however, for voters within the Community Facilities District or the City Council, acting as the legislative body of the Community Facilities District, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Series 2021 Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Series 2021 Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Nevertheless, to the maximum extent that the law permits it to do so, the Community Facilities District has covenanted not to initiate proceedings under the Act to modify the Rate and Method if such modification would adversely affect the security for the Series 2021 Bonds. If an initiative is adopted that purports to modify the Rate and Method in a manner that would adversely affect the security for the Series 2021 Bonds, the Community Facilities District shall, to the extent permitted by law, commence and pursue reasonable legal actions to prevent the modification of the Rate and Method in a manner that

would adversely affect the security for the Series 2021 Bonds. No assurance can be given as to the enforceability of the foregoing covenants.

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

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

The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax-exempt issues, including both random and targeted audits. It is possible that the Series 2021 Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series 2021 Bonds might be affected as a result of such an audit of the Series 2021 Bonds (or by an audit of similar obligations). See “CONCLUDING INFORMATION – Tax Matters.”

### **No Acceleration Provision**

The Series 2021 Bonds do not contain a provision allowing for the acceleration of the unpaid principal of the Series 2021 Bonds in the event of a payment default or other default under the terms of the Series 2021 Bonds or the Indenture.

### **Ballot Initiatives**

The Initiative was adopted pursuant to measures qualified for the ballot pursuant to the State’s Constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. On March 6, 1995, in the case of *Rossi v. Brown*, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by State voters or legislation enacted by the State Legislature. The adoption of any such initiative or legislation might place limitations on the ability of the City, the State, the County or local districts to increase revenues or appropriations or on the ability of the property owners within the Community Facilities District to complete the remaining proposed development. See “– Failure to Develop Properties; Government Approvals.”

### **Limited Liquidity of the Series 2021 Bonds**

The Community Facilities District has not applied for, and does not expect to receive, a rating on the Series 2021 Bonds from any nationally recognized rating organization. This fact may limit the secondary market for, and therefore the liquidity of, the Series 2021 Bonds.

### **Absence of Secondary Market**

No representation is made concerning the existence of any secondary market for the Series 2021 Bonds. No assurance can be given that any secondary market will develop following the completion of the offering of the Series 2021 Bonds and no assurance can be given that the initial offering prices for the Series 2021 Bonds will continue for any period of time. Additionally, prices of issues for which a market is being made will depend upon the then prevailing circumstances.

## CONCLUDING INFORMATION

### Continuing Disclosure

The Community Facilities District, pursuant to the Community Facilities District Continuing Disclosure Agreement, and the Developer, pursuant to the Developer Continuing Disclosure Agreement, have each agreed to provide certain financial information and operating data on an annual basis, and to provide notices of the occurrence of certain enumerated events. In addition, the Developer has agreed to provide mid-year reports. See APPENDIX G – “FORM OF DISTRICT CONTINUING DISCLOSURE AGREEMENT” and APPENDIX H – “FORM OF DEVELOPER CONTINUING DISCLOSURE AGREEMENT.” The covenants in the Community Facilities District Continuing Disclosure Agreement have been made by the Community Facilities District in order to assist the Underwriter in complying with the Rule. The Underwriter does not consider the Developer to be an “obligated person” with respect to the Series 2021 Bonds for purposes of the Rule. The Developer Continuing Disclosure Agreement shall terminate at such time as the Developer and its Affiliates, in the aggregate, own less than 69 or 20% of the residential lots within the Community Facilities District. In addition, the Developer’s Continuing Disclosure Agreement may terminate in certain other circumstances, as described in the Developer Continuing Disclosure Agreement.

A failure by the Community Facilities District or the Developer to comply with its respective continuing disclosure obligations will not constitute a default under the Indenture. However, the Continuing Disclosure Agreements provide that, in the event of a failure of the Community Facilities District or the Developer, as applicable, to comply with any provision of their respective Continuing Disclosure Agreement, any Series 2021 Bond owner, any Beneficial Owner, the Trustee or the Underwriter 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 or the Developer to comply with its obligations under its respective Continuing Disclosure Agreement. The sole remedy under each Continuing Disclosure Agreement in the event of any failure of the Community Facilities District or the Developer to comply with its respective Continuing Disclosure Agreement is an action to compel performance.

***Community Facilities District Prior Continuing Disclosure Compliance.*** The Community Facilities District has not had any prior continuing disclosure obligations under the Rule. The City will assist the Community Facilities District in preparing its continuing disclosure reports.

Neither the Community Facilities District nor the City has undertaken to determine whether the Developer is an obligated person under Rule 15c2-12. Neither the Community Facilities District nor the City has participated in the preparation, negotiation or implementation of the Developer Continuing Disclosure Agreement. Neither the Community Facilities District nor the City takes any responsibility for the adequacy of the Developer Continuing Disclosure Agreement for its intended purpose. None of the Community Facilities District, the City or the Trustee is a party to the Developer Continuing Disclosure Agreement, and none of the Community Facilities District, the City or the Trustee has any obligation or right to monitor or enforce compliance by the Developer with its obligations under the Developer Continuing Disclosure Agreement.

***Developer Prior Continuing Disclosure Compliance.*** The Developer has represented to the Community Facilities District that, based on a review of prior continuing disclosure undertakings, the Developer has not failed to comply in any material respect with any previous undertaking by it to provide periodic continuing disclosure reports or notices of listed events with respect to community facilities districts or assessment districts in California within the past five years.

## Absence of Litigation

***The Community Facilities District.*** At the time of delivery of and payment for the Series 2021 Bonds, the Community Facilities District will deliver a certificate to the effect that there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body, pending with respect to which the Community Facilities District has been served with process or known by the official of the Community Facilities District executing the Bond Purchase Agreement with the Underwriter for the Series 2021 Bonds to be threatened, which in any way questions the powers of the City Council or the Community Facilities District with respect to the Community Facilities District entering into the Indenture or the Continuing Disclosure Agreement, or the issuance, sale and delivery of the Series 2021 Bonds, or the validity of any proceeding taken by the City Council in connection with the issuance of the Series 2021 Bonds, or wherein an unfavorable decision, ruling or finding could materially adversely affect the transactions on the part of the Community Facilities District contemplated by any of such documents, or which, in any way, could adversely affect the validity or enforceability of the resolutions adopted by the City Council with respect to the Community Facilities District and the ordinance levying Special Taxes in the Community Facilities District, the Indenture, the Series 2021 Bonds or the Bond Purchase Agreement or which in any way questions the exclusion from gross income of the recipients thereof of the interest on the Series 2021 Bonds for federal income tax purposes or in any other way questions the status of the interest on the Series 2021 Bonds under State tax law or regulations.

***The Developer.*** At the time of delivery and payment for the Series 2021 Bonds, the Developer will deliver a certificate to the effect that to the Actual Knowledge of the Developer (as defined in such certificate), no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, regulatory agency, public board or body is pending against the Developer (with proper service of process or proper notice to the Developer having been accomplished) or to the Actual Knowledge of the Developer, overtly threatened in writing against the Developer (a) which, if successful, is reasonably likely to materially and adversely affect the Developer's ability to complete the development and sale of the property owned by the Developer in the Community Facilities District (the "Property") as described in this Official Statement, or to pay its Special Taxes, or ordinary *ad valorem* property tax obligations related to the Property when due; or (b) which challenges or questions the validity or enforceability of the Series 2021 Bonds or the Continuing Disclosure Agreement to be executed by the Developer in connection with the issuance of the Series 2021 Bonds.

## Tax Matters

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Community Facilities District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2021 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2021 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is included herein as APPENDIX E.

To the extent the issue price of any maturity of the Series 2021 Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2021 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2021 Bonds

is the first price at which a substantial amount of such maturity of the Series 2021 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2021 Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Series 2021 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2021 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Series 2021 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2021 Bonds. The Community Facilities District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2021 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2021 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2021 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Series 2021 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2021 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2021 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2021 Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, 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 or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any

pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Community Facilities District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Community Facilities District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2021 Bonds ends with the issuance of the Series 2021 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Community Facilities District or the Beneficial Owners regarding the tax-exempt status of the Series 2021 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Community Facilities District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Community Facilities District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2021 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2021 Bonds, and may cause the Community Facilities District or the Beneficial Owners to incur significant expense.

### **Legal Matters Incident to the Issuance of the Series 2021 Bonds**

Certain legal matters incident to the authorization and issuance of the Series 2021 Bonds are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, acting in its capacity as Bond Counsel to the Community Facilities District. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Community Facilities District by the City Attorney, and by Orrick, Herrington & Sutcliffe LLP, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Underwriter's Counsel. Payment of the fees and expenses of Bond Counsel, Disclosure Counsel and Underwriter's Counsel is contingent upon the sale and issuance of the Series 2021 Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Series 2021 Bonds will be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

### **Municipal Advisor**

Columbia Capital Management, LLC, Glendale, California, has served as Municipal Advisor to the Community Facilities District in connection with the issuance of the Series 2021 Bonds. The Municipal Advisor has not undertaken to make an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

**No Rating**

The Series 2021 Bonds are not rated. No application has been made by the Community Facilities District to any rating agency for the assignment of a municipal bond credit rating for the Series 2021 Bonds.

**Underwriting**

The Series 2021 Bonds are being purchased by the Underwriter for a price of \$\_\_\_\_\_, which is equal to the initial principal amount of the Series 2021 Bonds, plus a net original issue premium of \$\_\_\_\_\_, and less an Underwriter’s discount of \$\_\_\_\_\_. The Underwriter has committed to purchase all of the Series 2021 Bonds if any of the Series 2021 Bonds are purchased. The Series 2021 Bonds are being offered for sale to the public at the prices set forth on the inside cover page of this Official Statement, which prices may be changed by the Underwriter from time to time without notice. The Series 2021 Bonds may be offered and sold to dealers, including the Underwriter and dealers acquiring Series 2021 Bonds for their own account or an account managed by them, at prices lower than the public offering price.

The initial public offering prices stated on the inside cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Series 2021 Bonds to certain dealers, dealer banks, banks acting as agents and others at prices lower than said public offering prices.

**Miscellaneous**

Any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, are intended as such and not as representations of fact. No representation is made that any of such statements made will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract or agreement between the Community Facilities District or the Underwriter and the purchasers or the owners of any of the Series 2021 Bonds.

The execution and delivery of this Official Statement by the Community Facilities District has been duly authorized by the City Council of the City, acting as the legislative body of the Community Facilities District.

**CITY OF RANCHO MIRAGE  
COMMUNITY FACILITIES DISTRICT  
NO. 4B (DEL WEBB PROJECT), CITY OF  
RANCHO MIRAGE**

By: \_\_\_\_\_  
City Manager

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## APPENDIX A

### RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

#### CITY OF RANCHO MIRAGE COMMUNITY FACILITIES DISTRICT NO. 4B (DEL WEBB PROJECT)

A Special Tax shall be levied on all Taxable Property within the boundaries of the City of Rancho Mirage Community Facilities District No. 4B (Del Webb Project) (“CFD No. 4B”) and collected each Fiscal Year commencing in Fiscal Year 2020-21, in an amount determined by the CFD Administrator through the application of the procedures described below. All of the real property within CFD No. 4B, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

Section 1. Definitions. The terms hereinafter set forth have the following meanings:

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

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

“Administrative Expenses” means the actual or reasonably estimated costs related to the administration of CFD No. 4B including, but not limited to: the costs of preparing and computing the Special Tax (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the City, the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 4B, or any designee thereof complying with arbitrage rebate requirements, including without limitation rebate liability costs and periodic rebate calculations; the costs to the City, CFD No. 4B, or any designee thereof complying with disclosure or reporting requirements of the City or CFD No. 4B, associated with applicable federal and State laws; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs to the City, CFD No. 4B, or any designee thereof related to an appeal of the Special Tax; and the City’s annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the City or CFD No. 4B for any other administrative purposes of CFD No. 4B, including attorney’s fees and other costs related to commencing and pursuing any foreclosure of delinquent Special Taxes.

“Approved Property” means all Assessor’s Parcels of Taxable Property: (i) that are included 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) that have not been issued a Building Permit on or prior to the May 1<sup>st</sup> preceding the Fiscal Year in which the Special Tax is being levied.

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

“Assessor’s Parcel” means a lot or parcel shown on an Assessor’s Parcel Map with an assigned Assessor’s Parcel Number.

“Assessor’s Parcel Map” means an official map of the Assessor designating parcels by Assessor’s Parcel Number.

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

“Assigned Special Tax” means the Special Tax of that name described in Section 3.A below.

“Backup Special Tax” means the Special Tax of that name described in Section 3.B below.

“Bonds” means any bonds or other Debt of CFD No. 4B, whether in one or more series, secured by the levy of Special Taxes.

“Building Permit” means a building permit for construction of a Residential Unit within CFD No. 4B issued by the City.

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

“Calendar Year” means the period commencing January 1<sup>st</sup> of any year and ending the following December 31.

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

“CFD No. 4B” means the City of Rancho Mirage Community Facilities District No. 4B (Del Webb Project)

“City” means the City of Rancho Mirage, California.

“Council” means the City Council of the City acting as the legislative body of CFD No. 4B under the Act.

“County” means the County of Riverside, California.

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

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

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

“Exempt Property” means for each Fiscal Year, all Assessor’s Parcels designated as being exempt from Special Taxes pursuant to Section 8 below.

“Final Map” means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code 4285 that creates individual lots for which Building Permits may be issued without further subdivision.

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

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

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

“Lot” means a parcel created by a Final Map on which one or more Residential Units can be constructed.

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

“Multi-Family Property” means all Assessor’s Parcels of Residential Property for which a Building Permit has been issued for the purpose of constructing a building or buildings comprised of attached Residential Units available for rental by the general public, not for sale to an end user, and under common management.

“Non-Residential Property” means all Assessor’s Parcels for which a building permit has been issued prior to May 1<sup>st</sup> of the previous Fiscal Year for the purpose of constructing one or more non-residential units or facilities.

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

“Prepayment Amount” means the amount required to prepay the Special Tax Obligation in full for an Assessor’s Parcel as described in Section 6.A below.

“Property Owner Association Property” means any Assessor’s Parcel within the boundaries of CFD No. 4B owned in fee by a property owner association, including any master or sub-association.

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

“Provisional Property” means all Assessor’s Parcels of Public Property, Property Owner Association Property, Non-Residential Property or property that would otherwise be classified as Exempt Property pursuant to the provisions of Section 8, but cannot be classified as Exempt Property because to

do so would reduce the Acreage of all Taxable Property below the required minimum Acreage as set forth in Section 8.

“Public Property” means any property within the boundaries of CFD No. 4B, which is owned by, or irrevocably offered for dedication to the federal government, the State of California, the County, the City or any other public agency; provided however that any property owned by a public agency and leased to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use.

“Residential Property” means all Assessor’s Parcels of Developed Property for which a Building Permit has been issued for the purpose of constructing one or more Residential Units.

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

“Single Family Property” means all Assessor’s Parcels of Residential Property not classified as Multi-Family Property.

“Special Tax” means any special tax levied within CFD No. 4B pursuant to the Act and this Rate and Method of Apportionment of Special Tax.

“Special Tax Obligation” means the total obligation of an Assessor’s Parcel of Taxable Property to pay the Special Tax for the remaining life of CFD No. 4B.

“Special Tax Requirement” means that amount required in any Fiscal Year to: (i) pay regularly scheduled Debt Service on all Outstanding Bonds; (ii) pay periodic costs on the Outstanding Bonds, including but not limited to, credit enhancement and rebate payments on the Outstanding Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) accumulate funds to pay directly for acquisition or construction of facilities, provided that the inclusion of such amount does not cause an increase in the Special Tax to be levied on Approved Property, Undeveloped Property, or Provisional Property, until the date that all Bonds have been issued; and (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (vii) a credit for funds available to reduce the Special Tax levy, as determined by the CFD Administrator pursuant to the Indenture.

“State” means the State of California.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 4B, which are not exempt from the levy of the Special Tax pursuant to law or Section 8 below.

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

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

Section 2. Land Use Classification. Each Fiscal Year, beginning with Fiscal Year 2020-21, each Assessor’s Parcel within CFD No. 4B shall be classified as Taxable Property or Exempt Property. In addition, all Taxable Property shall further be classified as Developed Property, Approved Property, Undeveloped Property or Provisional Property, and all such Taxable Property shall be subject to the levy of Special Taxes in accordance with this Rate and Method of Apportionment of Special Tax determined pursuant to Sections 3 and 4 below. Furthermore, each Assessor’s Parcel of Developed

Property shall be classified according to its applicable Land Use Class based on its Building Square Footage.

Section 3. Special Tax Rates.

(a) Assigned Special Tax for Developed Property. The Assigned Special Tax applicable to an Assessor’s Parcel classified as Developed Property commencing in Fiscal Year 2020-21 shall be determined pursuant to Table 1 below.

**Table 1  
Assigned Special Tax Rates**

Land Use Class	Land Use Type	Building Square Footage	Assigned Special Tax
1	Single Family Property	> 2,550	\$1,723 per Residential Unit
2	Single Family Property	2,401 – 2,550	\$1,602 per Residential Unit
3	Single Family Property	2,251 – 2,400	\$1,494 per Residential Unit
4	Single Family Property	2,101 – 2,250	\$1,351 per Residential Unit
5	Single Family Property	1,951 – 2,100	\$1,238 per Residential Unit
6	Single Family Property	1,801 – 1,950	\$1,113 per Residential Unit
7	Single Family Property	1,651 – 1,800	\$1,019 per Residential Unit
8	Single Family Property	1,501 – 1,650	\$920 per Residential Unit
9	Single Family Property	≤ 1,500	\$799 per Residential Unit
10	Multi-Family Property	N/A	\$7,973 per Acre

(b) Backup Special Tax for Developed Property. The Backup Special Tax for Developed Property commencing in Fiscal Year 2020-21 shall be \$7,973 per Acre.

For the purpose of calculating the Backup Special Tax, the land area applicable to Multi-Family Property shall be computed from the Acreage of the Lot on which the Multi-Family Property is located, with the Acreage for such Lot allocated equally among all of the Multi-Family Property located or to be located on such Lot.

(c) Maximum Special Tax for Developed Property. The Maximum Special Tax for Developed Property shall be the greater of the Assigned Special Tax for Developed Property or the Backup Special Tax for Developed Property.

(d) Maximum Special Tax for Provisional Property, Approved Property and Undeveloped Property. The Maximum Special Tax for Provisional Property, Approved Property, and Undeveloped Property commencing in Fiscal Year 2020-21 shall be \$7,973 per Acre.

Section 4. Method of Apportionment. For each Fiscal Year, commencing Fiscal Year 2020-21, the CFD Administrator shall levy the Special Tax on all Taxable Property in accordance with the following steps:

- Step 1:* The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax as needed to satisfy the Special Tax Requirement;
- Step 2:* If additional monies are needed to satisfy the Special Tax Requirement after Step 1 has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Approved Property in an amount up to 100% of the Maximum Special Tax for Approved Property;
- Step 3:* If additional monies are needed to satisfy the Special Tax Requirement after Step 2 has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property in an amount up to 100% of the Maximum Special Tax for Undeveloped Property;
- Step 4:* If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax amount determined in Step 1 shall be increased Proportionately on each Assessor's Parcel of Developed Property in an amount up to 100% of the Maximum Special Tax for Developed Property.
- Step 5:* If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Provisional Property in an amount up to 100% of the Maximum Special Tax for Provisional Property.

Notwithstanding the above, under no circumstances will the Special Tax levied in any Fiscal Year against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased as a result of a delinquency or default in the payment of the Special Tax applicable to any other Assessor's Parcel within CFD No. 4B by more than ten percent (10%) above what would have been levied in the absence of such delinquencies or defaults.

Section 5. Collection of Special Taxes. Collection of the Special Tax shall be made by the County in the same manner as ordinary ad valorem property taxes are collected and the Special Tax shall be subject to the same penalties and the same lien priority in the case of delinquency as ad valorem taxes; provided, however, that the Council may provide for (i) other means of collecting the Special Tax, including direct billings thereof to the property owners; and (ii) judicial foreclosure of delinquent Special Taxes.

Section 6. Prepayment of Special Tax Obligation.

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

“CFD Public Facilities Costs” means \$5,000,000 or such lower number as (i) shall be determined by the CFD Administrator as sufficient to acquire or construct the facilities to be financed under the Act and financing program for CFD No. 4B, or (ii) shall be determined by the Council concurrently with a covenant that it will not issue any more Bonds (except refunding bonds).

“Construction Fund” means the fund (regardless of its name) established pursuant to the Indenture to hold funds, which are currently available for expenditure to acquire or construct the facilities or pay fees authorized to be funded by CFD No. 4B.

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

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

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

The Special Tax Obligation applicable to an Assessor’s Parcel of Developed Property, Approved Property, Undeveloped Property, or Provisional Property that has been included in a Final Map may be prepaid and the obligation to pay the Special Tax for such Assessor’s Parcel permanently satisfied as described herein, provided that a prepayment may be made with respect to a particular Assessor’s Parcel only if there are no delinquent Special Taxes with respect to such Assessor’s Parcel at the time of prepayment. An owner of an Assessor’s Parcel eligible to prepay the Special Tax Obligation shall provide the CFD Administrator with written notice of intent to prepay, and designate or identify the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the Prepayment Amount for such Assessor’s Parcel within thirty (30) days of the request, and may charge a reasonable fee for providing this service. Prepayment must be made at least 60 days prior to any redemption date for the CFD No. 4B Bonds to be redeemed with the proceeds of such prepaid Special Taxes, unless a shorter period is acceptable to the Trustee and the City.

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

	<u><b>Bond Redemption Amount</b></u>
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
less	Capitalized Interest Credit
Equals:	Prepayment Amount

The Prepayment Amount shall be determined as of the proposed prepayment date as follows:

1. Confirm that no Special Tax delinquencies apply to such Parcel.

2. For an Assessor's Parcel of Developed Property, compute the Maximum Special Tax for the Assessor's Parcel as though all Assessor's Parcels of Taxable Property within CFD No. 4B have been built out. For an Assessor's Parcel of Approved Property or Undeveloped Property for which a Building Permit has been issued, compute the Maximum Special Tax for the Parcel as though it was already designated as Developed Property, based upon the Building Permit which has been issued for the Assessor's Parcel. For an Assessor's Parcel of Approved Property or Undeveloped Property for which a Building Permit has not been issued, Provisional Property to be prepaid, compute the Maximum Special Tax for the Assessor's Parcel.
3. Divide the Maximum Special Tax derived pursuant to paragraph 2 by the estimated total amount of Special Taxes that could be levied at build out of all Assessor's Parcels of Taxable Property based on the applicable Maximum Special Tax for all such Assessor's Parcels of Taxable Property not including any Parcels for which the Special Tax obligation has been previously prepaid.
4. Multiply the quotient derived pursuant to paragraph 3 by the principal amount of the Outstanding Bonds to determine the amount of Outstanding Bonds to be redeemed with the Prepayment Amount (the "Bond Redemption Amount").
5. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
6. Determine the Future Facilities Costs.
7. Multiply the quotient derived pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to determine the portion of the Future Facilities Costs applicable to the Assessor's Parcel (the "Future Facilities Amount").
8. Determine the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds on which Bonds can be redeemed from Special Tax prepayments.
9. Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.
10. Determine the amount the CFD Administrator reasonably expects to derive from the investment of the Bond Redemption Amount and the Redemption Premium from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the Prepayment Amount.
11. Add the amounts derived pursuant to paragraphs 8 and 9 and subtract the amount derived pursuant to paragraph 10 (the "Defeasance Amount").
12. Verify the administrative fees and expenses associated with the prepayment, including the cost to invest the Prepayment Amount, the cost of redeeming the Outstanding Bonds, and the cost of recording notices to evidence the prepayment of the Special Tax obligation for the Assessor's Parcel and the redemption of Outstanding Bonds (the "Administrative Fees and Expenses").

13. The reserve fund credit (the “Reserve Fund Credit”) shall equal the lesser of:  
(a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
14. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient computed pursuant to paragraph 3 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the “Capitalized Interest Credit”).
15. The amount to prepay the Special Tax Obligation is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance Amount and the Administrative Fees and Expenses, less the Reserve Fund Credit and the Capitalized Interest Credit.
16. From the Prepayment Amount, the Bond Redemption Amount, the Redemption Premium, and Defeasance Amount shall be deposited into the appropriate fund as established under the Indenture and be used to redeem Outstanding Bonds or make Debt Service payments. The Future Facilities Amount shall be deposited into the Construction Fund. The Administrative Fees and Expenses shall be retained by the CFD.

The Prepayment Amount may be sufficient to redeem an amount other than a \$5,000 increment of CFD No. 4B Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to redeem CFD No. 4B Bonds to be used with the next prepayment of CFD No. 4B Bonds.

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

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

(b) Partial Prepayment. The Special Tax on an Assessor's Parcel of Developed Property, Approved Property, Undeveloped Property, or Provisional Property that has been included in a Final Map may be partially prepaid. The amount of the prepayment shall be calculated as in Section 6.A.; except that a partial prepayment shall be calculated according to the following formula:

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

These terms have the following meaning:

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

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

With respect to any Assessor's Parcel that is partially prepaid, the City shall (i) distribute the funds remitted to it according to Section 6.A., and (ii) indicate in the records of CFD No. 4B that there has been a partial prepayment of the Special Tax Obligation and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the Maximum Special Tax, shall continue to be levied on such Assessor's Parcel.

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

Section 7. Term of Special Tax. The Special Tax shall be levied as long as necessary to meet the Special Tax Requirement for a period not to exceed forty-five (45) Fiscal Years commencing with Fiscal Year 2020-21, provided however that the Special Tax will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined that all required interest and principal payments on CFD No. 4B bonds have been paid.

Section 8. Exemptions. The CFD Administrator shall classify as Exempt Property (i) Assessor's Parcels of Public Property, (ii) Assessor's Parcels of Property Owner Association Property, or (iii) Assessor's Parcels which are used as places of worship and are exempt from ad valorem property taxes because they are owned by a religious organization, (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, and (v) Assessor's Parcels classified as Non-Residential Property as determined reasonably by the CFD Administrator, provided that no such classification would reduce the sum of all Taxable Property in CFD No. 4B to less than 52.6 Acres. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the sum of all Taxable Property in CFD No. 4B to less than 52.6 Acres shall be classified as Provisional Property and will continue to be subject

to the CFD No. 4B Special Taxes accordingly. Tax exempt status for the purpose of this paragraph will be assigned by the CFD Administrator in the chronological order in which property becomes eligible for classification as Exempt Property, except for Non-Residential Property, which will be assigned tax exempt status only after all other eligible property types have been classified as Exempt Property.

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

Section 9. Appeals. Any landowner who pays the Special Tax and claims the amount of the Special Tax levied on his or her Assessor's Parcel is in error shall first consult with the CFD Administrator regarding such error not later than thirty-six (36) months after first having paid the first installment of the Special Tax that is disputed. If following such consultation, the CFD Administrator determines that an error has occurred, then the CFD Administrator shall take any of the following actions, in order of priority, in order to correct the error:

- (i) Amend the Special Tax levy on the landowner's Assessor's Parcel(s) for the current Fiscal Year prior to the payment date,
- (ii) Require the CFD to reimburse the landowner for the amount of the overpayment to the extent of available CFD funds, or
- (iii) Grant a credit against, eliminate or reduce the future Special Taxes on the landowner's Assessor's Parcel(s) in the amount of the overpayment.

If following such consultation and action by the CFD Administrator the landowner believes such error still exists, such person may file a written notice of appeal with the Council. Upon the receipt of such notice, the Council or designee may establish such procedures as deemed necessary to undertake the review of any such appeal. If the Council or designee determines an error still exists, the CFD Administrator shall take any of the actions described as (i), (ii) and (iii) above, in order of priority, in order to correct the error.

The Council or designee thereof shall interpret this Rate and Method of Apportionment of Special Tax for purposes of clarifying any ambiguities and make determinations relative to the administration of the Special Tax and any landowner appeals. The decision of the Council or designee shall be final.

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**APPENDIX B**  
**APPRAISAL REPORT**

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# APPRAISAL REPORT

## CITY OF RANCHO MIRAGE COMMUNITY FACILITIES DISTRICT NO. 4B (DEL WEBB PROJECT) Tract Nos. 36809-3 and 36809-4

City of Rancho Mirage, Riverside County, California  
(Appraisers' File No. 2021-1233)



**Prepared For**  
**CITY OF RANCHO MIRAGE**  
69-825 Highway 111  
Rancho Mirage, CA 92270

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

# **KITTY SIINO & ASSOCIATES, INC.**

**REAL ESTATE APPRAISERS & CONSULTANTS**

March 23, 2021

Kofi Antobam, CPA, CFE, CIA, Director of Administrative Services

**CITY OF RANCHO MIRAGE**

69-825 Highway 111

Rancho Mirage, CA 92270

Reference: Appraisal Report  
City of Rancho Mirage Community Facilities District No. 4B  
(Del Webb Project Tract Nos 36809-3 and 36809-4)  
N/S Dinah Shore Drive, W/O Bob Hope Drive  
Rancho Mirage, CA

Dear Mr. Antobam:

At the request and authorization of the City of Rancho Mirage, we have completed an Appraisal Report for City of Rancho Mirage Community Facilities District No. 4B ("CFD No. 4B") which consists of the Tract Map Nos. 36809-3 and 36809-4 of Del Webb at Rancho Mirage. The property is being developed as an age qualified master planned community located in the City of Rancho Mirage in the Coachella Valley in Riverside County. The master developer of Del Webb at Rancho Mirage is Pulte Home Company ("Pulte"), a related entity to Del Webb. The entire community of Del Webb at Rancho Mirage is currently planned for 1,029 homes; however, the subject of this appraisal is the second phase of development, which consists of 307 proposed homes. The first phase of 344 homes is generally built and closed out with the exception of the model homes and the final build-out near the models.

The subject property is being built into three neighborhoods by Del Webb known as the Classic Series, The Encore Series and The Retreat Series with a total of ten different home plans. Out of the 307 proposed homes, 164 homes have closed to individuals and an additional 116 are sold, however not yet closed.

The valuation methods used in this report are the Sales Comparison Approach, a Land Residual Analysis, a Discounted Cash Flow Analysis along with a mass appraisal technique for the existing homes as defined within this report. The fee simple estate of the subject property has been valued subject to the CFD No. 4B special tax lien. This report is written with the hypothetical condition that the subject property is enhanced by the improvements and/or fee credits to be funded by the Special Tax Bonds of CFD No. 4B.

Kofi Antobam  
**City of Rancho Mirage**  
March 23, 2021  
Page Two

As a result of our investigation, the concluded minimum market value for the subject property is:

**Del Webb at Rancho Mirage (Tracts 36809-3 and 36809-4)**

Pulte Owned (23 Houses)	\$ 9,218,237
Pulte Owned (120 Lots)	\$ 20,862,743
Individual Owners (164 Houses)	<u>\$ 80,062,612</u>

**Aggregate Total for CFD No. 4B**      **\$ 110,143,592**

The values are stated subject to the Assumptions and Limiting Conditions of this report, the Appraiser's Certification and as of February 10, 2021.

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 2020) 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**

CFD No. 4B Boundary Map  
Tract Map Nos. 36809-3 and 36809-4  
Discounted Cash Flow Analysis  
Finished Lot Land Sales Map and Summary Chart  
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 CFD No. 4B.
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 property. 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 have 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 property and that the soils are adequate to support the highest and best use conclusions.

18. 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 CFD No. 4B Special Tax Bonds.

**EXTRAORDINARY ASSUMPTION**

1. It is assumed that the cost and sales information provided by Pulte is true and accurate. We have reviewed and analyzed the summarized costs as received and they appear reasonable. However, we do not have expertise in cost estimating and if the actual remaining costs differ, it will affect the value of the property.

**HYPOTHETICAL CONDITION**

1. It is assumed that all improvements and benefits to the subject property, which are to be funded by the CFD No. 4B Special Tax Bond proceeds, are completed and in place or have accrued to the subject property.

**City of Rancho Mirage  
Community Facilities District No. 4  
Del Webb at Rancho Mirage**



Boundaries Approximate  
Aerial flown by AirViews 2/28/21

**City of Rancho Mirage  
Community Facilities District No. 4B  
(portion of) Del Webb at Rancho Mirage**



## 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 CFD No. 4B Special Tax Bonds.

## THE SUBJECT PROPERTY

The subject property is encompassed by CFD No. 4B and is proposed for 307 single-family detached residences within the City of Rancho Mirage located just south of Interstate-10 at Bob Hope Drive. The subject property is considered the second phase which consists of approximately one-third of the master planned community of Del Webb at Rancho Mirage. The entire community is planned for 1,029 homes. The first phase consisted of 344 homes and is known as Tract No. 36809-1 and Tract No. 36809-2. The second phase, which is the subject property, consists of 307 proposed homes and is known as Lots 1-108 of Tract No. 36809-3 and Lots 1-199 of Tract No. 36809-4. The subject property's current ownership and development status is detailed below.

Description	No. Lots	Ownership	Condition/Status
<b>Del Webb at Rancho Mirage</b>			
Lots 1-108 of Tract 36809-3 and Lots 118-125, 127-129, 132-134, 136-137, 141-145, 147, 150, 152, 156, 162, 165-171, 173-180, 182, 184-186, 188-197, and 199 of Tract 36809-4	164	Individuals	Completed Houses / Closed
Lots 81, 82, 85, 110-115, 117, 126, 131, 138, 149, 154-155, 160, 164, 172, 181, 183, 187, 198 of Tract 36809-4	23	Pulte	Homes over 95% complete (23 In escrow)
Lots 1-6, 9, 15-16, 46, 49-51, 53, 66, 69-78, 80, 83, 86-88, 90-91, 96-97, 99-109, 116, 130, 135, 139-140, 146, 148, 151, 153, 157-159, 161 and 163 of Tract 36809-4	59	Pulte	Homes U/C (55 In escrow)
Lots 7, 8, 10-14, 17-45, 47-48, 52, 54-65, 67-68, 79, 84, 89, 92-95 and 98 of Tract 36809-4	<u>61</u>	Pulte	Finished Lots (38 In escrow)
<b>Total Lots</b>	<b>307</b>		

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## INTENDED USE OF THE REPORT

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It is the appraiser's understanding that the client, the City of Rancho Mirage, will utilize this report in disclosure documents related to the sale of the Special Tax Bonds of CFD No. 4B. 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 uses 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 the builder's ownership in a bulk sale or a single individually-owned house is less than one year.

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

## **Bulk Value**

Bulk Value is defined as:

*The value of a group of lots, parcels, or homes to a single entity, on a specified date, under the terms and conditions of the definition of market value.*

## **Discounted Cash Flow (DCF) Analysis**

A Discounted Cash Flow Analysis is:

*The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analysis specifies the quantity, variability, timing, and duration of the income streams as well as the quantity and timing of the reversion and discounts each to its present value at a specified yield rate.*

## **Finished Lot**

The term "Finished Lot" 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."*

## **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 CFD No. 4B.

## **Extraordinary Assumptions**

The term “extraordinary assumption” is defined by USPAP as:

*“An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusion”*

The Extraordinary Assumption used in this report is that the reported remaining land development costs and the sales information as received from Pulte are true and accurate. We have reviewed the costs and they appear reasonable; however, details were not received, just summarized amounts. We are not experts in the field of cost estimating and it should be noted that these costs were relied upon in the valuation of the subject property and if the costs change, the values could change.

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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 the CFD No. 4B special tax lien. 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>2</sup>*

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## **EFFECTIVE DATE OF VALUE**

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The subject property is valued as of February 10, 2021.

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## **DATE OF REPORT**

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The date of this report is March 23, 2021.

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<sup>2</sup> The Appraisal of Real Estate, 13<sup>th</sup> Edition

## SCOPE OF APPRAISAL

As previously stated, the purpose of this appraisal is to report the appraiser's best estimate of the market value for the subject property, CFD No. 4B, which encompasses approximately one-third of the master planned community known as Del Webb at Rancho Mirage in Riverside County. The subject property includes a total of 307 proposed homes anticipated to be developed into ten home plans currently being built out by Del Webb, a 55+ building entity related to Pulte Homes. This valuation is for the property in its "as is" condition assuming the improvements to be funded by the bonds of CFD No. 4B are in place or have accrued to the property. As of the date of value, 164 homes have closed to individuals. In addition, there are 23 homes over 95% complete (all in escrow), 59 homes under construction (under 95% complete with 55 in escrow) and 61 remaining lots in a generally physically finished condition (38 in escrow). This appraisal will be presented in the following format:

- County of Riverside Description
- Coachella Valley Description
- Section 24 Specific Plan Description
- Brief Description of CFD No. 4B
- Subject Property Description
- Riverside County Residential Market Analysis
- Highest and Best Use Analysis
- Valuation Procedure, Analyses 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>3</sup>*

In the Sales Comparison Approach, market value is estimated by comparing properties similar to the subject 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 to the Sales Comparison Approach a Discounted Cash Flow Analysis will be utilized along with a Mass Appraisal Technique.

The due diligence of this appraisal report included the following:

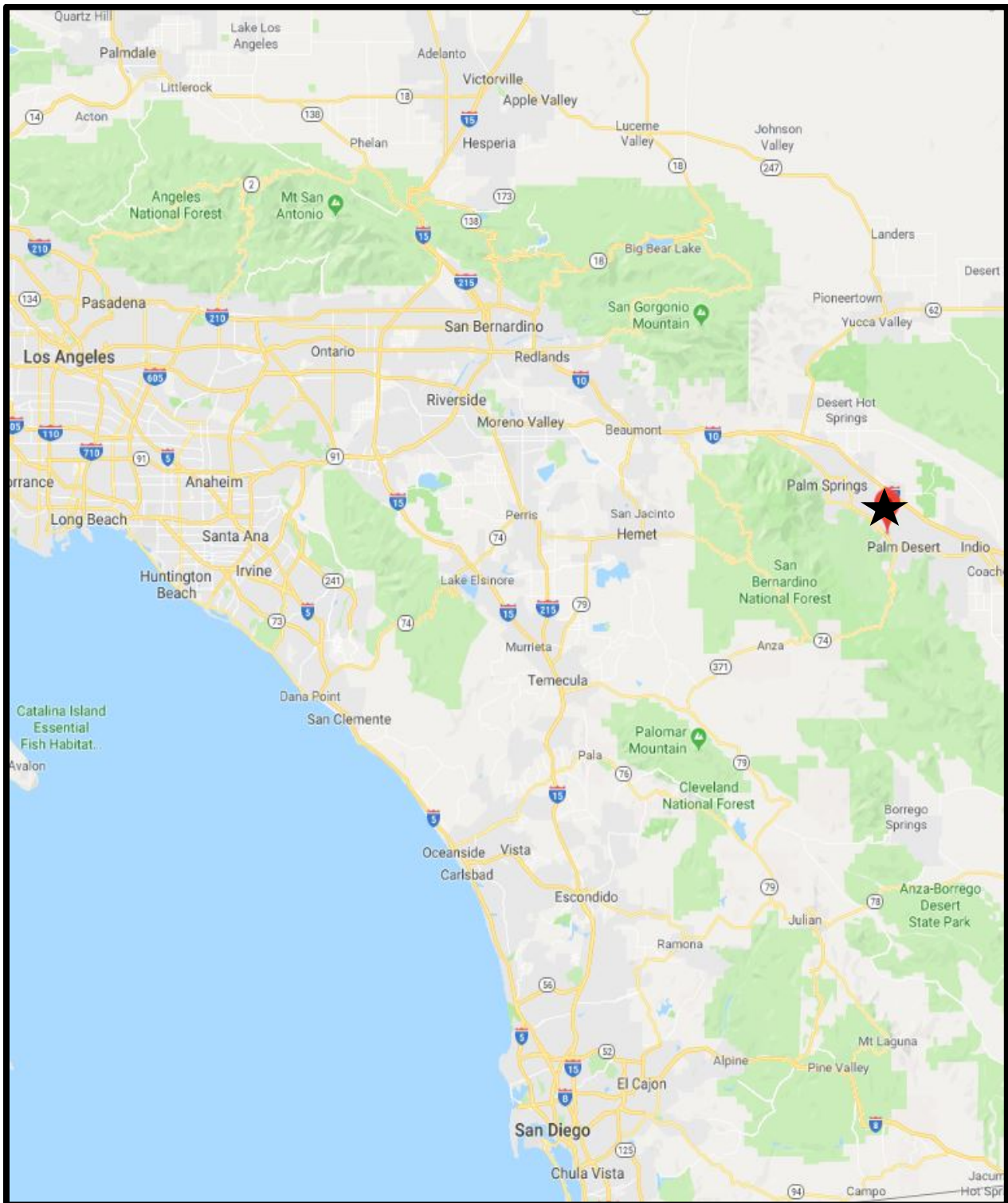
1. Compiled demographic information and related that data to the subject property to perform a feasibility/demand analysis.
2. Gathered and analyzed information on the subject marketplace, reviewed several real estate brokerage publications on historical and projected growth in the subject market and researched the micro and macro-economic outlook within Riverside County and the Coachella Valley area.
3. Toured and inspected the subject property between January 15 and February 12, 2021.
4. Had the site flown by an aerial photographer on February 29, 2021.
5. Interviewed representatives from the master developer in order to obtain project information.
6. Reviewed the Section 24 Specific Plan which covers the property and additional lands.
7. Reviewed land development cost information in order to ascertain the remaining costs to complete the development of the lands to true finished lots.
8. Reviewed mapping on the subject property.
9. Reviewed a title report on a portion of the subject property.
10. Reviewed a Phase I and Limited Phase II Environmental Report for the subject property.
11. Reviewed sales brochures and marketing information on the subject property.

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<sup>3</sup> Dictionary of Real Estate Appraisal, Fourth Edition, 2002

12. Reviewed actual sales information from the builder on all closed homes and current escrows.
13. Searched the area for relevant comparable new home residential projects, including sales prices and concessions and interviewed representatives from each comparable neighborhood.
14. Searched the area for relevant comparable residential land sales and interviewed representatives regarding the transactions when available.
15. Searched the area for 55+ age qualified master planned communities and inspected the most comparable along with interviewing representatives from each community.
16. Reviewed the CFD Report for the City of Rancho Mirage CFD No. 4B (Del Webb Project) as prepared by Willdan Financial Services.
17. Reviewed Multiple Listing Service ("MLS") information on re-sales and current listings of existing homes within both the first phase (CFD No. 4A) and the second phase (CFD No. 4B) of Del Webb at Rancho Mirage.
18. Inspected the subject property for any for-sale or property listing signs that may not be listed on the MLS yet.

## REGIONAL AREA MAP



## COUNTY OF RIVERSIDE AREA DESCRIPTION

### **Location**

The subject property is located in the central portion of Riverside County (the "County") in the area known as the Coachella Valley which includes the cities of Palm Springs, Desert Hot Springs, Cathedral City, Rancho Mirage, Palm Desert, Thousand Palms, Indian Wells, Indio, La Quinta, Coachella and Thermal along with unincorporated areas of Sky Valley, Happy Valley, Sun City and Bermuda Dunes. More specifically, Del Webb at Rancho Mirage is located in the northern portion of the City of Rancho Mirage, just south of Interstate 10 ("I-10") at Bob Hope Drive. 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"). This area, consisting of San Bernardino and Riverside Counties, is commonly referred to as the Inland Empire.

### **Transportation**

The subject property is situated south approximately one mile south of Interstate 10 ("I-10") at Bob Hope Drive. I-10 travels in an easterly/westerly direction and provides access to Santa Monica/Los Angeles to the west and across California into Arizona to the east and ultimately across the southern portion of the United States. Other major freeways and Interstates in the County include Interstates 15 and 215 (I-15 and I-215) both providing generally northerly/southerly direction and State Routes 91 and 60, both generally providing east/west access.

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

approximately six miles west of the subject with surrounding larger airports being Los Angeles International Airport (115 miles west), Ontario International Airport (70 miles northwest), San Diego International Airport (90 miles southwest) and Orange County International Airport (80 miles west). In addition, the County has extensive trucking corridors with I-10 being a major trucking corridor across the country.

### **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, 2020 County population was 2.44 million (most current information from State of California). This represented a one-year increase of 0.8 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 approximately 1.4 percent over the next twelve years. The current growth of 0.8 percent is slightly lower than the previous eight-year annual average of 1.24 percent, however significantly 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**

Beginning February 20, 2020, the U.S. began experiencing an unprecedented economic disruption due to the COVID-19 pandemic. Original predictions were for deaths due to the virus overwhelming hospitals and staff. While the U.S. has lost over 500,000 due to COVID-19, except for a few exceptions, hospitals have, thus far, had the capacity to treat the patients. January 2021 was the deadliest month; however, cases appear to be on the decline. The Federal, State, County and City Governments (“Governments”) originally shut down non-essential businesses and areas where social gatherings occur in March 2020 in order to slow the spread of the virus. This created a strain on small and large businesses alike. Restaurants and hotels were hit hard and travel reduced

drastically as citizens were urged to stay home. Layoffs occurred with reports of 40 million people filing for unemployment in the past nine months. This disruption originally caused extreme volatility in the stock market with an overall drop of 37 percent in March 2020 (based on the Dow Jones Industrial Average); however, currently it is showing an increase of 5.9 percent over the previous high in January 2020. The Federal Government attempted to curtail the job losses and hardships with the approval of the Coronavirus Aid, Relief and Economic Security (CARES) Act which was signed into law March 27, 2020. The CARES Act appropriated over two-trillion dollars to people and businesses who were financially stunted by the COVID-19 pandemic. On April 9, 2020 the Federal Reserve took additional action to provide up to \$2.3 trillion in loans to support the economy and on April 23, 2020, Congress passed an additional \$484 billion in relief for small businesses and hospitals. Over the summer some business openings occurred. However, in the fall and again this winter the pandemic surged and businesses had to shut down again. In December 2020 the government passed an additional \$900 billion in stimulus that includes jobless benefits and additional dollars for vaccine distribution. The new National Administration is currently working on more economic relief for the pandemic. It appears these stimuli thus far, have helped shore up the economy.

While some jobs have come back, job losses were huge with the Nation's unemployment rate going from 3.5 percent in February 2020 to 14.4 percent in April 2020 with the December National unemployment rate at 6.5 percent (most recent data available). At the beginning of January 2021, California was a hot spot with COVID cases surging and Southern California put under another stay-at-home order however at this time cases appear to be declining and the government has lifted some of the travel restrictions. Most economists believe the economy will have good growth once COVID ends, however the timetable for ending the virus has not yet been discovered. While the news of the vaccine being rolled out has boosted the stock market, the timing to actually get all citizens vaccinated is still unknown. Per the Congressional Budget Office, their prediction is that 2021 will see a robust 4.5 percent annual growth rate however employment rates will not return to pre-pandemic levels for several years.

Prior to the COVID-19 pandemic, the nation was experiencing a strong economy. As with the rest of the nation, the Inland Empire experienced a strong multi-year recession, now referred to as the Great Recession, between 2006 and 2012. The MSA, which had strong employment over the ten previous years saw unemployment rates increase significantly between December 2006 and early 2010 at which time a leveling off occurred followed by continued employment growth, generally since July 2011 until the pandemic hit.

The unemployment rate for the MSA was estimated at 9.1 percent as of December 2020 per the Employment Development Department, which reflects a decrease from the peak during the Great Recession of 15.1 percent in 2010 and a decrease from the peak during COVID of 14.9 percent. The current rate represents an astronomical increase from February 2020's 4.0 percent, prior to the pandemic outbreak and an increase from November 2020's 7.9 percent rate. As of December 2020, Riverside County had a 9.1 percent unemployment rate while San Bernardino County had a 9.2 percent unemployment rate. The current unemployment rate for the MSA of 9.1 percent is slightly higher than the California rate of 8.8 percent, and significantly higher than the December 2020 National rate of 6.5 percent. Below is a table comparing Riverside County's unemployment rate to the unemployment rates of the surrounding counties as of December 2020.

<b><u>Jurisdiction</u></b>	<b><u>As of</u></b>	<b><u>Unemployment Rate*</u></b>
Los Angeles County	12/20	11.0%
Riverside County	12/20	9.1%
San Bernardino County	12/20	9.2%
Orange County	12/20	7.4%
San Diego County	12/20	8.0%

*Source: State of California E.D.D.; \*Not Seasonally Adjusted*

Over the past 25 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 between 2012 and 2015, the Inland Empire bounced back slower with overall Riverside County finally passing the previous median home price peak in early 2020 (prior to the pandemic). Contrary to homebuilder's original thoughts on the pandemic, new home buyers stepped up in the spring and new home sales were significantly higher during the second half of 2020 versus the previous year. In addition, 2020 ended up with a significant increase in residential builder land purchases in the Inland Empire. While land purchases essentially stopped in February, March and April, beginning in May, 2020 builders began looking for land and entering escrow on land purchases with residential land currently moving at a brisk pace. The exceptional activity in new home sales is thought to be due to several factors including a tight re-sale supply of homes, historically low interest rates, millennials finally buying homes, and, the work from home factor which is allowing residents to live in more suburban areas without the long commute.

During the Great Recession, the Federal Government attempted to correct the struggling economy by implementing several economic stimulus packages. The Federal Reserve Board ("Board") kept interest rates below historical averages, dropping rates to near zero in December 2008 until the December 2015 Board meeting, when they began raising interest rates. There were nine interest rate hikes by the Board (each time at one-quarter percent) which brought the federal funds rate to 2.25 - 2.5 percent. The final increase in December 2018 appeared to affect the economy with home sales slowing and stock market volatility. In 2019, with a weakening economy, the Board dropped the rate three times bringing the federal funds rate to 1.50 - 1.75 percent which appeared to stabilize the economy. On March 3, 2020 the Board dropped rates 50 basis points due to the stock market reaction to the COVID-19 pandemic while on March 16, 2020 the Board dropped the rate another 100 basis points to the historical level of 0 - 0.25 percent. Since the March decreases, the Board has left rates unchanged with a mention that rates could stay low until 2023 however most economist are estimating interest rates to begin to increase in late 2021. The Federal Interest Rate in the US averaged 5.69 percent from 1971 to 2019 reaching an all-time high of 20 percent in March 1980 and the previous low of .25 percent in December 2008. The current historically low rates have spurred home

sales with the Inland Empire recently named as one of the tightest markets in the nation. At the last meeting of 2020 of the Federal Reserve Board on December 17<sup>th</sup> they elected to keep the rate at the 0-0.25 percent level.

The first 2020 UCLA Anderson Forecast (“Forecast”) was issued March 12, 2020, but for the first time in its 68-year history, the Forecast was updated four days later on March 16, 2020 due to the COVID-19 pandemic. The latest Forecast dated December 9, 2020 states the nation’s forecast offers hope of a robust recovery from the pandemic recession. This good news is tempered by predictions of a rough winter as economic growth remains stalled by measures intended to prevent rising spread of virus cases until the vaccines become widely available. The National Forecast states that the reopening of the economy is directly related to the population’s ability to safely return to work. As a result, they predict there will be two more quarters of slow growth (1.2 percent for fourth quarter 2020 and 1.8 percent for first quarter 2021) with robust growth of 6.0 percent in the second quarter of 2021. After that, they are predicting growth rates to remain above 3.0 percent well into 2023.

As of December, 20.5 million Americans were receiving some form of unemployment insurance benefit. Nearly nine percent of U.S. residents live in households that are behind on their rent or mortgage, 12 percent live in households where there is not enough food and 34 percent live in households where it has been difficult to pay for typical household expenses. The National Forecast anticipates that a successful vaccine roll-out will help release pent-up consumer demand over the next year leading to a strong economy with a surge in services consumption and continued strength in housing markets propelling the economy forward. Coupled with this growth they are predicting only modest core inflation, around 2.1 to 2.2 percent per year. The National Forecast concludes that the next few months will be a dire winter with rising COVID infections, continued physical distancing and the expiration of social assistance programs (this was prior to the proposed stimulus by the new National Administration).

The Forecast for California looks at the COVID-19 risk similar to a transactions “tax” that is highest for crowds and less with more distance. Essential activities with low COVID-19 “taxes” (i.e. on-line shopping, virtual workspaces, zoom meetings, groceries, take-out restaurants) have already recovered and will grow as the economy grows. Avoidable activities with high COVID-19 transaction “taxes” (i.e. air travel, hotels, mass transit, in person classes, entertainment venues) have not recovered and will likely remain at low employment levels, even as the economy grows. California has responded with more restrictive mandates which has hit the State harder than the nation. California has lost 1.37 million non-farm payroll jobs with a handful of sectors bearing the brunt including leisure and hospitality, retail and education. The technology sectors, residential construction and logistics will lead the recovery and the post-pandemic California will grow faster than the U.S. as a whole, although the state’s recovery is expected to begin later than the Nation’s. The California Forecast predicts the average unemployment rate in 2021 to be 6.9 percent followed by 5.2 percent in 2022 and 4.4 percent in 2023. This compares to unemployment rates in California between 2.4 percent and 3.6 percent during September 2017 and March 2020 (prior to the pandemic shutdown).

We have also reviewed the Anderson Report dated December 2020 on the Economic/Pandemic Question: to Close or Not to Close? The report determines that due to the more stringent California shutdowns, labor markets in California are weaker than those in the U.S. overall. This is partially due to the higher percentage of tourism which drives the economy in California. While they are anticipating California will be lagging the U.S in recovery until the pandemic ends, looking to the future they anticipate California’s technology sectors, residential construction and logistics to lead the recovery and for California post-pandemic to grow faster than the Nation.

According to John Husing’s most recent Inland Empire Economic Partnership’s Quarterly Economic Report dated October 2020, the nation is currently faced with the largest variety of unknowns in modern history. The pandemic downturn was more severe than any other downturn except the Great Depression; however, Husing states that, within the Inland Empire, the recovery will be a “check mark” or down fast with a moderately

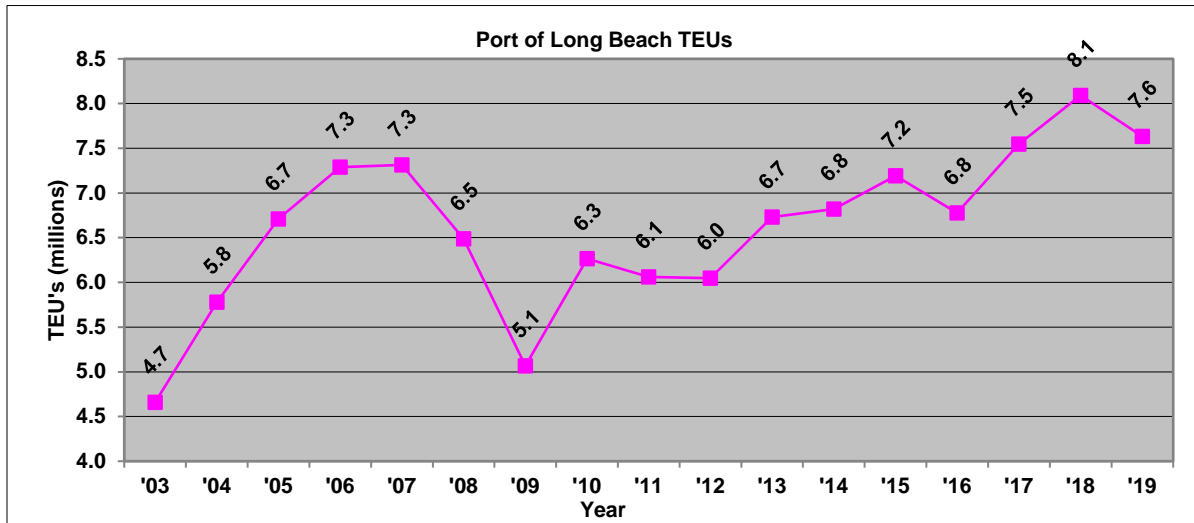
rapid recovery, although not by the end of 2020. Husing notes that they are using only the data available and the U.S. is in uncharted territory during this downturn. Using end-of-October job numbers, Husing anticipates 102,300 lost jobs between 2019 and 2020 in the Inland Empire which is an improvement over the 195,500 jobs lost as of April 2020. Husing is estimating 62,900 being recovered in 2021 leaving an additional 39,400 jobs that must be recovered in 2022 in order to get the Inland Empire economy back to its 2019 level.

The major losing sectors in the Inland Empire have lost 86,200 jobs which include eating and drinking, retailing, hotel and entertainment and consumer services. The moderate losing sectors lost 19,700 jobs including construction, financial activities, management and professionals, higher education, information, local government and health care. Growing sectors which added 3,700 jobs including logistics, federal and state government and utilities.

As mentioned in the UCLA California Forecast, one bright spot in the COVID economy has been sales of new homes. While existing homeowners were reluctant to put their houses on the market during COVID, new home sales in the Inland Empire have soared. The lowest interest rates in history appear to have brought the Millennial generation to the new home market. In addition, the new Work-From-Home (“WFH”) factor has made non-homeowners realize they can afford a house further outside of the economic areas and that it makes sense if they don’t have to drive to the office each day. The minimal existing home inventory, coupled with these factors has put pressure on pricing with new homes prices in the Inland Empire increasing over 10 percent year-over-year. This will be discussed further in the Riverside County Housing Market section later within this report.

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. Generally, there has been increases since 2009 with the exception of a slight dip in 2016 and again in 2019 which ended with a 5.6 percent downturn. The 2019 downturn was believed to be due to the volatility of the government tariff situation and was anticipated to be corrected this year, however the COVID-19 pandemic now has weakened China exports and appears to be creating volatility. It appears that correction finally came about in December. While November 2020 TEU's were running 0.4 percent above the previous year, as of December 2020 (latest information available), year to date TEU's were 22.6 percent above year-over-year, a surprising increase considering the economic volatility of the year.



## Government

A Board of Supervisors oversees the County as the governing body of the County, certain County special districts, and the County Housing Authority. The Board 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 is elected from five different districts within the County.

## Education

The Palm Springs Unified School District serves the subject area. The Palm Springs Unified School District operates fifteen elementary schools, five middle schools and four high schools as well as three alternative schools. 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 colleges include College of the Desert, Mt. San Jacinto Community College, Copper Mountain Community College, Crafton Hills College, Moreno Valley College and Riverside City College, all within 50 miles of the subject area.

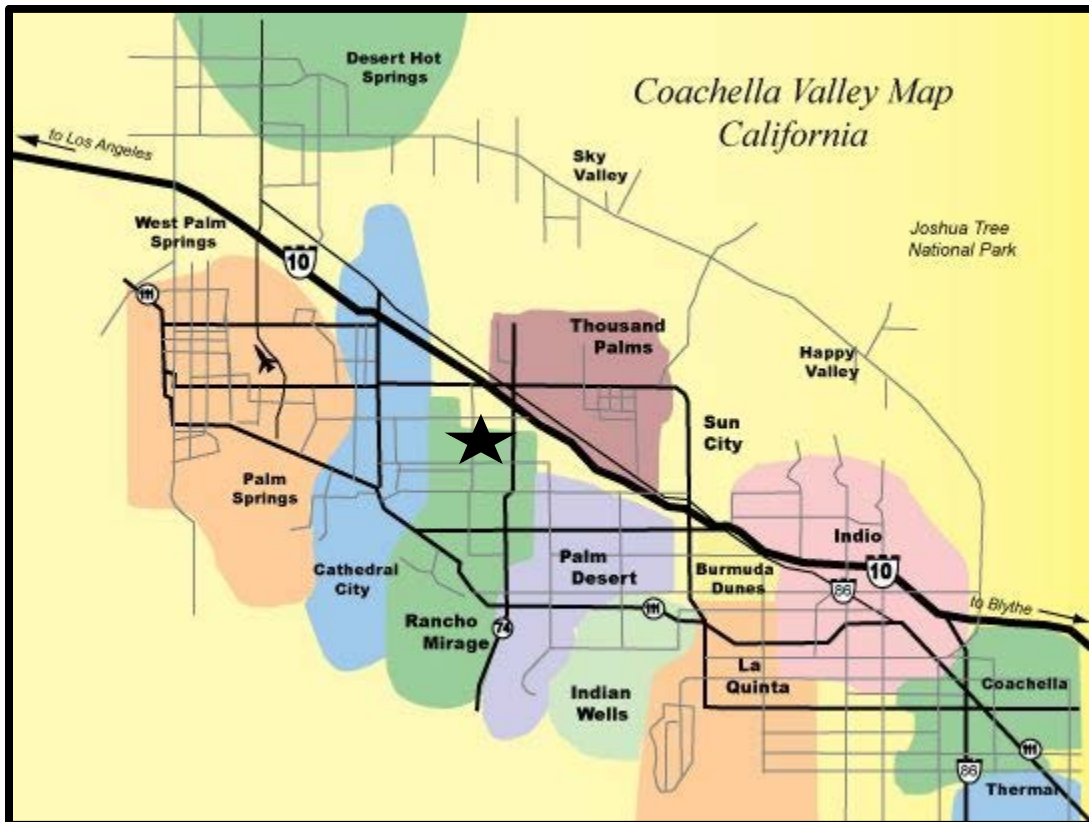
### **Conclusion**

Population in the County has increased over the past 30 years with predictions for continued population growth. The nation's economy stalled during the Great Recession due to the housing downturn, unemployment and the credit crisis. The housing market saw a resurgence beginning the second half of 2012 with prices generally rising since then. While the economy was slowing slightly in late 2019, the COVID-19 pandemic brought the economy to a halt in March 2020. The one bright spot over the past nine months has been the new home market which has been extremely strong in the Inland Empire. The region's affordability, low interest rates and available land, coupled with the rising prices of coastal market and need for new housing is setting up for a potential boom in the Inland Empire, which appears to be occurring in part due to residents leaving urban areas due to COVID-19 factors. Current worries include the duration of COVID-19. 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 and housing prices in comparison to adjacent Orange, Los Angeles and San Diego Counties.

## COACHELLA VALLEY DESCRIPTION

### General Area and Information

The subject property is located in the City of Rancho Mirage in the central portion of the Coachella Valley which has some varying definitions but generally contains the cities of Palm Springs, Cathedral City, Rancho Mirage, Palm Desert, Indian Wells, La Quinta, Indio, Coachella and Desert Hot Springs along with some unincorporated areas. Below is a map depicting the Coachella Valley with Rancho Mirage depicted in green and the black star identifying the approximate location of the subject property.



The Coachella Valley came to be when the construction of U.S. Route 99 northward through Coachella and Indio and westward toward Los Angeles (generally along the present route of I-10) helped bring agriculture, commerce and tourism to the area in 1926. In the early 1930's the construction of State Highway 111 along the base of the San Jacinto Mountain Range ran diagonally through the valley connecting the various communities. The surrounding mountains and location help create a desert atmosphere

which brings sunshine and warm temperatures throughout most of the year. In the 1950s and 1960s the area was popular with Hollywood celebrities with big names such as Frank Sinatra, Bob Hope, Dinah Shore, Elvis Presley, Lucille Ball and Desi Arnaz all having winter homes in the Coachella Valley due to the weather.

The Coachella Valley is approximately 45 miles long and about 15 miles wide along most of its length bounded to the west by the San Jacinto Mountains, the Santa Rosa Mountains on the south and the Little San Bernardino Mountains to the east. The Salton Sea basin is at the southeast end of the Coachella Valley with the Salton Sea located about 30 miles southeast of the subject property. While the Coachella Valley appears to be a cohesive area, the varying cities each have wide ranges of income and demographic make-up.

### **Population and Housing**

Due to the Coachella Valley being in an area containing several cities along with unincorporated areas, annual information is unavailable. Per the 2010 Census, the nine cities within the Coachella Valley had a total population of 346,518 people while in 2019 (most recent information available) the population was estimated at 388,000. This suggests an average annual increase of about 1.3 percent, similar to the County of Riverside's 1.4 percent growth rate. In addition to the above population is an additional 130,000 seasonal residents known as snowbirds who arrive to stay during the winter months. Snowbirds generally are retired and journey from colder areas in the U.S. and Canada. Visitors and tourists in the Coachella Valley account for 3.5 million people annually however the COVID pandemic is hitting the area hard due to tourism being the main economic driver for the area. Fewer than 10 percent of the population in the Coachella Valley were born and raised in the area. Within the Coachella Valley 39.6 percent of the single family detached homes are owned by absentee owners while over 72 percent of the attached product are owned by absentee owners. The City of Rancho Mirage has some differing numbers with 51.5 percent of the single-family detached homes remotely owned and 68.2 of the attached homes being second residences.

Prior to the Great Recession housing was booming in the Coachella Valley with tens of thousands of residential lots mapped. Many began construction prior to the housing collapse. To date, there are still many developments which were “broken” or went back to the bank/lender during the recession that have not yet been developed. This significantly slowed residential development in the area. Most projects that are currently trading include these broken projects. After the Great Recession land values were at times negative when looking at the costs of construction and development fees for a residential lot in the Coachella Valley. This varies significantly from city to city within the Coachella Valley depending on supply and demand. Rancho Mirage has one of the better addresses within the Coachella Valley with Indio, Coachella and the southern portion having a lower income and higher poverty level. This is shown in the land development within Rancho Mirage with two master planned communities (the subject Section 24 and Section 31 which is located about 1.3 miles southeast of the subject) either under construction or in the planning stages.

### **Economy**

The Coachella Valley is responsible for over 95 percent of the dates grown in the nation; the largest crop produced in the Coachella Valley. While most date groves were taken over by development by the 1990s, there are still many date groves in the “East Area” of the Coachella Valley south of Indio and east of La Quinta. Other agricultural products grown in the Coachella Valley include fruits and vegetables, especially table grapes, citrus fruits, onions, leaks and peppers, also grown in the East Area which has an underground aquifer to sustain a year-round green environment. Other businesses include wind farming due to the Coachella Valley’s northwest entrance being the second windiest place in the country.

The main income producer in the area is tourism with the weather being the main draw to the area. With 350 sunny days per year and the warmest winters in the U.S., vacationers are drawn to the Coachella Valley. There are over 125 golf courses, making it one of the world’s premier golf destinations and the most popular golf vacation destination in California. Unfortunately, due to COVID hitting travel and tourism the

hardest of any industry, the Coachella Valley has seen significant changes. According to the Coachella Valley Economic Partnership (CVEP) per a report in October 2020, the Coachella Valley economy has been reeling since the cancellation of several of the region's biggest events in the spring 2020. These events typically fuel the region's small businesses through the slower summer months which not only did not occur in 2020 but the shelter-at-home orders and now the cancellation of the large spring events in 2021 is playing havoc on the area's economy. Predictions are for 25-50 percent of restaurants and hotels to close permanently due to COVID-19. They estimate that this equates to 650 restaurants and 310 retailers will close which equates to about 17,000 jobs or about 11 percent of the total jobs in the Coachella Valley. As with the rest of the nation, as the COVID pandemic recedes, the Coachella Valley is anticipated to bounce back. Indian tribes have ownership to much of the land in the Coachella Valley which has created casinos, resort hotels and spas. In addition, the Palm Springs Aerial Tramway takes visitors from the valley floor to San Jacinto Peak at 8,516 feet above sea level. There are several small industrial areas within most cities with mom and pop owned businesses however there are minimal large manufacturing plants in the Coachella Valley.

There are several annual activities which draw tourists to the Coachella Valley, including the Palm Springs International Film Festival in January, Modernism Week in February, the Riverside County Fair and National Date Festival in February, the BNP Pariba Open (a world renown tennis tournament) in March, the Coachella Music Festival and Stagecoach, a Country Music festival in April. The Coachella Music Festival attracts over 125,000 attendees while Stagecoach is known as the largest country music festival in the County and attracts over 75,000 fans. While the Film Festival and Modernism Week, the Fair and Date Festival all occurred in February, the BNP Pariba Open, Coachella and Stagecoach all were cancelled in 2020 and it was recently announced Coachella and Stagecoach are cancelled for spring of 2021.

### **Summary**

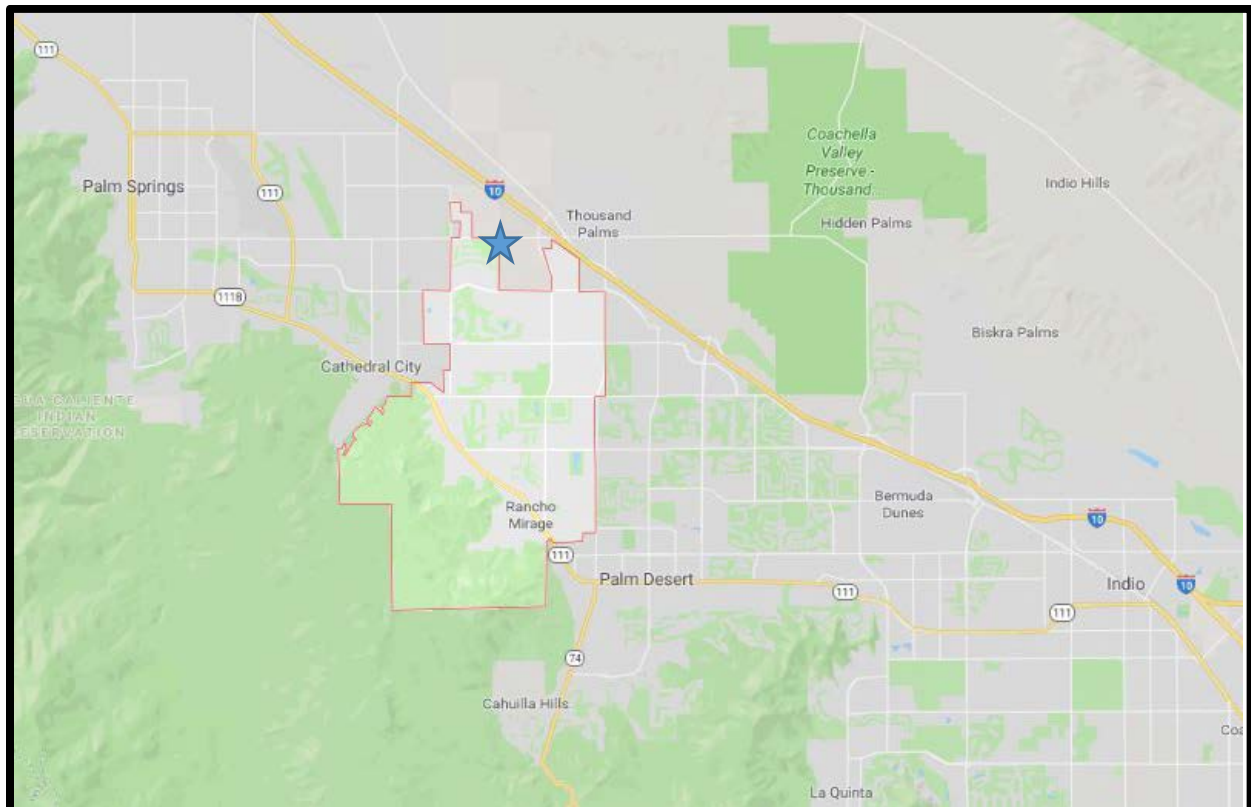
Over the past 90 years the Coachella Valley has transitioned from a rural ranching and farming area to being a tourist destination and a winter home for snowbirds from all over the Country. The Coachella Valley has minimal commercial areas besides service

commercial, agricultural and wind farming with tourism being their largest economy. The COVID pandemic has hit the tourism sector hard with 25-50 percent of restaurants and hotels anticipated to close permanently. Fortunately, Rancho Mirage is a second home haven with over 50 percent of the single family detached homeowners being absentee owners and COVID has expanded the second home market due to traveling being essentially shut down. While there is little land development within the Coachella Valley, Rancho Mirage is home to one new master plan currently building out (the subject property) and one new master plan currently in the planning stage (Section 31). The weather, location and access make the Coachella Valley a popular weekend destination for residents from other areas in Southern California.

## CITY OF RANCHO MIRAGE DESCRIPTION

### General Area

The subject property is located within the City of Rancho Mirage ("City") in the central part of the Coachella Valley in the central portion of Riverside County. Rancho Mirage is surrounded by Cathedral City to the west, beyond which is Palm Springs, I-10, unincorporated lands and Thousand Palms to the north, Palm Desert to the east beyond which is Indian Wells and La Quinta. South of Rancho Mirage are the Santa Rosa and San Jacinto Mountains. Rancho Mirage covers approximately 24 square miles and incorporated in 1973. The area is predominantly a retirement area due to the amount of sunshine, its climate and the resort lifestyle. The City is shown below with the blue star representing the approximate location of the subject property.



## **Location**

Rancho Mirage is located 110 miles east of Los Angeles, 110 miles northeast of San Diego and 270 miles west of Phoenix. The City is easily accessed from both I-10 and Highway 111. The north/south main arterials are Bob Hope Drive and Monterey Avenue, both with on/off ramps to I-10 and main signalized intersections at Highway 111. Monterey Avenue also generally serves as the eastern border of the City. The main east/west arterials in the City include Dinah Shore Drive, Gerald Ford Drive, Frank Sinatra Drive and Country Club Drive with Highway 111 generally in a northwest/southeast direction.

## **Population**

According to the State of California, the January 2020 population (latest available) of the City is 19,114 which reflects an increase of 1.2 percent since January 2019, greater than the County's growth during that period of 0.8 percent. This is thought to be due to the subject project which has brought new homes to the City, thus bringing new residents. The median age within the City is 62.7 years, significantly older than the median age of the Coachella Valley which is estimated at 40.3 years. Rancho Mirage is seen as a retirement destination with a country club atmosphere with many residents having their second home in the City along with retirees from surrounding Southern California cities. Due to the high sales rate of the new Del Webb community (subject property), the growth is anticipated to continue to be higher than the overall County for the next year or two.

## **Housing**

According to Realtor.com, a nationwide housing statistic reporting company, Rancho Mirage has a median home list price of \$622,500 which represents a 3.9 percent increase in the past year. Realtor.com's projections are for the Riverside/San Bernardino County MSA median home value to increase an additional 5.5 percent over the coming year. There are over 14,400 housing units in the city limits. While there have been few residential land purchases being developed in the Coachella Valley over the past few years, there are several new home communities currently selling homes.

Broken projects which were begun prior to the Great Recession and sat vacant for many years, are now being developed. The subject, Del Webb at Rancho Mirage, is one of the few new homes communities which purchased the lands after the recession, developed the homes and is selling at an excellent absorption rate. Del Webb at Rancho Mirage is also the only new home community now selling within Rancho Mirage other than Sienna Estates, a custom home program consisting of ten lots, six which have been built and sold. There is a new Specific Plan known as Section 31 which received approval in late 2019 for up to 1,932 residential units and a resort hotel surrounding the Grand Oasis Crystal Lagoon, a sandy beach with a swimmable blue lagoon. Section 31 has not begun construction however, the developer states the first phase which includes the lagoon and surrounding residences will be open in 2023.

### **Cultural**

Rancho Mirage is the home of Sunnylands, a place of history, hospitality and diplomacy in the California desert. In 1966 Walter Annenberg, a publisher and philanthropist, developed 200 acres into his winter home in Rancho Mirage which he named Sunnylands. For over 40 years the Annenberg's welcomed political, business, educational and entertainment leaders into their home including seven U.S. Presidents, the British Royal Family and Hollywood icons like Bob Hope, Frank Sinatra, Jimmy Stewart and Ginger Rogers among others. In 2001 they chose to preserve Sunnylands and placed it into the Annenberg Trust which strives to bring together leaders of the globe in a neutral location. President Obama was the most recent president to visit Sunnylands where he met on separate occasions with Chinese President Xi Jinping and King Abdullah II of Jordan.

### **Economy**

Rancho Mirage is noted for its country clubs, resort hotels and a state of the art medical-health care facilities. Due to the City's location and strong demographics, it has attracted its share of financial institutions, professional services and stores. Rancho Mirage is home to four world-class destination resorts including the Agua Caliente Casino-Resort-Spa, the Omni Rancho Las Palmas Resort and Spa, the Westin Mission Hills Resort and

Spa (across Bob Hope Drive from the subject property) and the Ritz-Carlton Rancho Mirage which re-opened in 2014 after a \$500 million renovation. The Eisenhower Medical Center is underway with their \$200 Million Capital Campaign to upgrade their orthopedic and general surgery, cardiology, oncology, medical technology and outpatient clinics in order to meet the needs of the community. As with the rest of Southern California, the City of Rancho Mirage has been hit hard by the COVID Pandemic however the Eisenhower Health positivity rate (as of February 8, 2021) is 8.3 percent while the overall Coachella Valley positivity rate is 15.2 percent. This is partially due to the limited amount of high-density housing within the City. Typically, higher density areas are having a higher break-out of the virus which results in higher positivity rates.

The closest shopping center to the subject property is the Rancho Mirage Marketplace at Bob Hope Drive and Gerald Ford Drive which is anchored by a Gelsen's Market, Chevron Gas Station and a Chase Bank. Regional shopping is available at the Monterey Marketplace, anchored by the Home Depot, Regal Cinemas and several national restaurants, The River Mall, an upscale shopping and entertainment center with upscale national chain restaurants and Rancho Las Palmas Shopping Center anchored by CVS, SteinMart and Hobby Lobby. There is also an Albertson's anchored neighborhood shopping center located at the southwest corner of Country Club Drive and Monterey Avenue. The City hosts the top Bentley and one of the top Rolls Royce automobile dealerships in the U.S. along with Audi, Jaguar, Land Rover, Austin Martin and Ferrari dealerships.

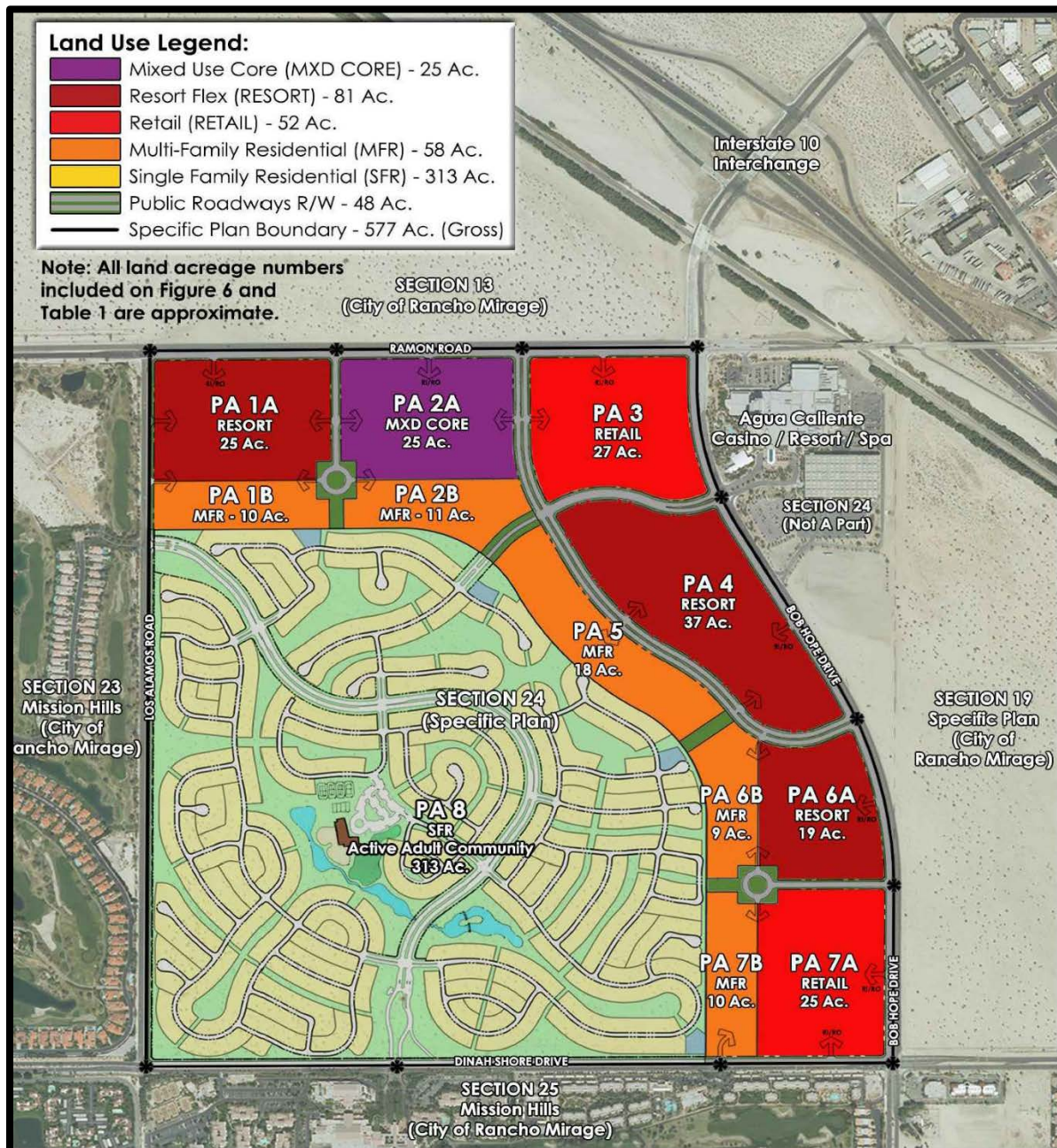
The five top employers in the City include Eisenhower Medical Center, Agua Caliente Casino Resort Spa, Westin Mission Hills Resort and Villas, Rancho Las Palmas Resort and Spa and the Home Depot. According to its website the City's approach to development focuses on a fast track, streamlined permit process, quality city services, carefully planned infrastructure and an entrepreneurial "can-do" attitude towards development.

## **Summary**

Rancho Mirage is an upscale retirement community which offers a resort lifestyle, a great climate and plenty of sunshine. The City has excellent access from I-10 and Highway 111 with good circulation. It houses one of the premier hospitals in the Coachella Valley. There are four would class resorts within the city along with Sunnylands, at times known as the Western Whitehouse. The 2018 opening of Del Webb at Rancho Mirage has attracted over 400 new homebuyers to the City, a remarkable draw to a new community in the Coachella Valley. The City's climate, location and friendly business atmosphere will help it to be a growth community in the coming years.

## SECTION 24 SPECIFIC PLAN

The Agua Caliente Band of Cahuilla Indians Section 24 Specific Plan ("Section 24 SP") covers the subject property and additional lands. The subject property is known as a portion of Planning Area 8 within the Section 24 SP. Below is a map with the subject property being generally the central one-third of the entire Planning Area 8 which is identified in yellow below. It should be noted that the entire Section 24 SP is discussed in this section while the subject is only a portion of the specific plan.



The Section 24 SP is bounded to the north by Ramon Road beyond which are undeveloped lands and I-10; to the east by Bob Hope Drive beyond which is the Agua Caliente Casino and Resort/Spa and vacant lands; to the south by Dinah Shore Drive beyond which is the Westin Mission Hills Golf Resort, Spa and Villas; and to the west by Los Alamos Road beyond which is the Gary Player Signature Golf Course. The entire specific plan is proposed to be developed into a master planned, mixed-land use community with a higher density mix of retail, entertainment, office hotel and residential land uses within the areas fronting Bob Hope Drive and Ramon Road, in combination with a lower density Active Adult Community on Dinah Shore Drive. The total land area within Section 24 SP is over 500 acres with Planning Area 8 (the Active Adult Community) encompassing 313 acres. The approved land use entitlements as are shown below.

<b>Planning Area</b>	<b>Land Use</b>	<b>Acres</b>	<b># of Lots</b>
1A	Resort Flex	25	N/A
1B	MF Residential	10	180
2A	Mixed Use Core	25	N/A
2B	MF Residential	11	180
3	Retail	27	N/A
4	Resort Flex	37	N/A
5	MF Residential	18	486
6A	Resort Flex	19	N/A
6B	MF Residential	9	180
7A	Retail	25	N/A
7B	MF Residential	10	180
<b>8</b>	<b>SF Residential</b>	<b><u>313</u></b>	<b><u>1,200</u></b>
<b>Totals</b>		<b>529</b>	<b>2,406</b>

Access to the Section 24 SP is considered to be excellent with the I-10 offramp at Bob Hope Drive about 1,000 feet north of the property. Planning Area 8, which includes the subject property and additional lands, has been graded into a blue-top condition with

streets cut in and lots terraced. The subject portion of Planning Area 8 has been developed into 307 single family detached lots along with open space lands with access trails throughout the community. At time of inception the Section 24 SP was controlled by the Agua Caliente Band of Cahuilla Indians and located in an unincorporated area. Per Pulte Home representatives, there are no remaining tribal rights associated with all of Planning Area 8 while the remainder of the Specific Plan is still tribal owned. A portion of Planning Area 3 at the corner of Bob Hope Drive and Ramon Road is currently under construction with a proposed service station associated with the Agua Caliente Casino which is located across Bob Hope Drive.

Per the City of Rancho Mirage Notice of Determination recorded September 15, 2015, Planning Area 8 was annexed into the City along with the approval of development of an age-restricted residential community of up to 1,200 residential dwelling units. At the same time, Tentative Tract Map 36809 and Development Agreement DA160001 were approved by the City allowing for 1,025 single family detached lots. Since the Tentative Tract Map's approval in 2013, five of the proposed six final maps have been recorded and the total allowed number of units has increased to 1,029. This is typical as final mapping can slightly change the number of lots once engineering is completed.

The subject property includes generally the central portion of Planning Area 8 proposed for 307 single family detached homes which is over half built out. Del Webb (Pulte's Adult Active brand) is building out three neighborhoods, all for 55+ years of age, consisting of a total of ten home plans within the subject property. The home plans range from 1,438 to 2,726 square feet with current base pricing between \$407,990 to \$636,990. The clubhouse, which is known as The Outlook, is complete and is located within the first phase of development. The Outlook includes the clubhouse, a putting green, an event lawn, both a covered and an outdoor pool, an in-ground spa, pickleball courts, tennis courts and bocce ball courts. Inside the Clubhouse is a great room/bar, a ballroom, a billiards room, a golf simulator room, a multi-purpose room, a fitness gym and an aerobics room along with ancillary buildings including a kitchen and bathrooms. There are also several outdoor gathering areas to visit, BBQ and eat.

## **CITY OF RANCHO MIRAGE COMMUNITY FACILITIES DISTRICT NO. 4B**

On March 15, 2018 the City of Rancho Mirage City Council approved Resolution 2019-40, the Intention to Form City of Rancho Mirage CFD No. 4B, and called for a public hearing on matters related to the CFD No. 4B including the formation, the levy of special taxes and the need to incur bonded indebtedness secured by the special taxes. We have reviewed the CFD Report for City of Rancho Mirage CFD No. 4B (Del Webb Project) prepared by Willdan Financial Services and dated November 2019. The authorized facilities to be financed by the special bonds associated with CFD No. 4B include:

### City Improvements:

- Street facilities, including but not limited to, major arterials, highways, intersections, access ramps, roadways, sidewalk, curb, gutters, striping, lighting, traffic signalization, signage, landscaping of public streets, incidental expenses, and rights-of-way and appurtenant facilities, including fees to finance such facilities.
- Storm control facilities, including, but not limited to, storm drains, channels, detention, headwalls, riprap pads, retention and/or catch basins, incidental expenses, and appurtenant facilities, including fees to finance such facilities;
- Dry utility facilities, including but not limited to electrical lines, undergrounding, pole relation, incidental expenses, and appurtenant facilities, including fees to finance such facilities; and
- City public benefit fees, including but not limited to traffic signals fees, bus shelter fees, City Hall / Corporate Yard fees, fire fees, park fees, and other required capital facilities' fees.

### Coachella Valley Water District ("CVWD") Improvements:

- Sewer improvements, sanitary sewers, including, but not limited to, lift stations, treatment plants, force mains, pump stations, transmission and main lines, valves, incidental expenses, and appurtenant facilities, including fees to finance such facilities;
- Domestic water facilities, including but not limited to, reservoirs, well sites, pump stations, transmission lines, distribution facilities, main lines, valves, fire hydrants,

incidental expenses, and appurtenant facilities, including fees to finance such facilities: and

- Coachella Valley Water District connection and capacity fees, including but not limited to sewer treatments and connection fees, water supply fees, water meter fees, water connection fees, and any other capital facilities fees which are part of these fee programs and capital improvement programs.'

At time of the preparation of the CFD No. 4B Report, it was estimated that the bond issuance of CFD No. 4B will be in the range of \$5.66 million with approximately \$4.88 million in net bond proceeds with the balance providing for a reserve fund, capitalized interest, initial administration expenses, district formation and bond issuance costs (all amounts are subject to change). It should be noted that the proceeds of CFD No. 4B will be used along with the net proceeds of the \$6.53 million bond issuance of CFD No. 4A and the expected future bond issuance of CFD No. 4C, to fund public facilities as described above. The estimated cost of such facilities is approximately \$25 million; however, the proceeds from the three aforementioned CFDs are not anticipated to generate sufficient funds to finance all of the costs. Any facilities cost not covered by CFD bond proceeds and special taxes will remain the responsibility of the developer pursuant to the project conditions of approval, the project development agreement or other applicable governing documents.

Per the latest sources and uses (dated March 9, 2021) the project fund deposit is estimated to be approximately \$5,428,639 (again amounts subject to change). The overall tax rate for the subject property is estimated to be in the 1.7 percent range.

## SUBJECT PROPERTY DESCRIPTION

The subject property consists of the central portion of the master-planned community known as Del Webb at Rancho Mirage which is proposed for 307 age-qualified single-family detached homes. The master developer of the project is Del Webb, a related entity to Pulte Home Company, LLC.

**Location:** Generally, south east of Del Webb Way and Los Alamos Road, and generally northwest of Barolo and Chianti, within the master planned community known as Del Webb at Rancho Mirage, Rancho Mirage.

**Legal Property Description:** Lots 1-108 of Tract Map No. 36809-3 and Lots 1-199 of Tract Map 36809-4, City of Rancho Mirage, County of Riverside.

**Property Owner:** Pulte Home Company, LLC, a Michigan limited liability company, successor by the conversion of Pulte Home Corporation, a Michigan corporation as to Lots 1-117, 126, 130-131, 135, 138-140, 146, 148, 149, 151, 153-155, 157-161, 163, 164, 172, 181, 183, 187 and 198 of Tract 36809-4. Individuals as to Lots 1-108 of Tract 36809-3 and Lots 118-125, 127-129, 132-134, 136-137, 141-145, 147, 150, 152, 156, 162, 165-171, 173-180, 182, 184-186, 188-197 and 199 of Tract 36809-4

**Assessors Parcel Nos.:** 673-900-001 thru 064; 673-910-001 thru 015, 673-910-017 thru 44; 673-910-050; 673-920-001 thru 031; 673-930-001 thru 019; 673-940-001 thru 021; 673-950-001 thru 039; 673-960-001 thru 058; 673-970-001 thru 031.

**Three-Year Sales History:** The lands were previously owned by certain Indian Allotees of the Agua Caliente Band of Cahuilla Indians, Palm Springs. Equivest LLC was the original buyer per the option agreement dated February 15, 2013. In the agreement Equivest assigned the option to SCC Rancho Mirage Holdings LP who then sold the option to Pulte. Per Pulte representatives, they closed on a portion of the property (Phase I) in 2017 with the final transaction covering the subject property and additional lands (Phases II and III) occurring November 13, 2018. The total consideration has been kept in our files for confidentiality purposes. In addition to the money paid, there is an agreement that SCC Rancho Mirage Holdings LP receives a percentage on every home sale along with a profit participation if

the sales price is over specified amounts. It is the appraiser's understanding that this agreement runs with the land, thus the percentage and profit participation amounts will be considered in our valuation analysis. In addition to the above land sale, 164 completed homes have closed to individual homebuyers.

**Size and Shape:** The subject property is irregular in shape. Per recorded tract maps the size is shown below.

<u>Tract #</u>	<u># Lots</u>	<u>Gross Acres</u>	<u>Open Space*</u>	<u>Remain. Acres</u>
36809-3	108	28.807	10.256	18.551
36809-4	199	58.719	25.090	33.629
Total	307	87,526	35.346	52.180

The Open Space area includes internal streets. The overall density of the gross acreage is 3.51 dwelling units per acre.

**Zoning:** Per the City of Rancho Mirage's General Plan the subject is shown as R-M (Residential Medium Density which allows for up to 4.0 dwelling units per acre). Per the current zoning map the property is shown as Section 24 Specific Plan. Per the Section 24 Specific Plan the property and additional lands are known as Planning Area 8 which consists of a total of 313 acres with up to 1,200 dwelling units allowed.

**Entitlements:** The subject property is entitled by virtue of the Section 24 Specific Plan and is known as a portion of Planning Area 8. In addition to the Specific Plan approvals, Tentative Tract Map 36809 was approved which covers the subject site and additional lands and allows for 1,025 single family detached lots on 321.45 gross acres. The subject property was further entitled with Tract Map 36809-3 which recorded February 20, 2019 and Tract Map 36809-4 which recorded May 30, 2019 dividing the subject lands into 307 residential lots and several open space lots. The residential lots have a minimum lot size of 5,500 square feet. After the Tentative Tract Map was approved showing 1,025 single family detached lots, five of the proposed six final maps have been recorded and the number of proposed lots has increased to 1,029.

**Home Owner's Association:** The HOA Fees within Del Webb at Rancho Mirage are estimated at build out to be \$337 per month per homeowner. The HOA fees include the gated community entrance, the social center with pools, spa, outdoor and indoor entertaining areas and all common area landscaping and upkeep within the community.

**Topography:** The subject property and the surrounding lands slated for the entire master planned community were generally flat, desert sandy lands, at street grade of the surrounding streets with some internal slopes. The subject property has been developed into 307 single-family detached lots. The lots are generally level with drainage into an engineered street storm drain system.

**Soils Condition:** We have not received a soils report for our review. It is an assumption of this appraisal that the soils are adequate to support the highest and best use conclusion. This is evidenced by city approvals and existing homes on portions of the subject property.

**Seismic Information:** The subject property is not located within an Alquist Priolo Earthquake study zone.

**Environmental Concerns:** We have reviewed a Phase I and Limited Phase II Environmental Site Assessment on the subject and additional lands dated March 15, 2013, prepared by Leighton and Associates, Inc. of Palm Desert, California. The report states that historically the site was vacant, undeveloped land. Some soil stockpiles and construction debris were noted at time of the report. Soil sampling was completed and chemicals of potential concern were not identified. The report concludes that the site assessment revealed no evidence of recognized environmental conditions in connection with the property; that the soil stockpiles were suitable for reuse on the site; and, that construction debris should be disposed of in accordance with regulatory guidelines. It is an assumption of this appraisal 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.

**Flood Information:** The subject property is located within FEMA Map 06065C1595G dated August 28, 2008. The site is shown as Zone X which is outside of any flood zone area.

**Easements and Encumbrances:** We have reviewed a Preliminary Title Report prepared by First American Title Company on the lots owned by Pulte within Tract 36809-4 dated February 1, 2021. The exceptions are as follows:

Items 1 thru 5 refer to property taxes and assessments including CFD No. 1 (Fire and Police) and the subject CFD No. 4B. Item Nos. 6 and 16-27 refer to easements for public utilities, pedestrian and landscape purposes, streets, along with one grant of easement recorded September 20, 1977 which is not identified in the title

report. Item No. 7 is in regards to an Antenuptial Agreement recorded in 1984. Item Nos. 8 and 9 refer to the Property Agreements and Assignment of Property Agreements recorded in 2012 and 2013 (when property went under option). Item Nos. 9 and 11 pertain to water system and sanitation system agreements. Item No. 10 refers to the Water Quality Management Plan. Item No. 12 is in regards to the CC & Rs recorded on the property. Item No. 13 pertains to the Master Dispute Resolution for Del Webb at Rancho Mirage recorded in 2018. Item No. 14 pertains to a right of first refusal recorded in 2019 on the property. Item No. 15 pertains to a Deed of Trust recorded on the property in 2019. Item No. 28 pertains to an examination of the records of the Department of Interior, Bureau of Indian Affairs in regards to the subject site. Item No. 29 refers to water rights. Item No. 30 refers to the rights of the public to the portion of land lying within any street or road. Item No. 31 refers to the rights of parties in possession.

We have not received a title report on Tract Map No. 36809-3. It is an assumption of this appraisal report that all of the subject lands are free and clear of any liens and/or encumbrances other than CFD No. 4B, and that the above easements do not hinder development as proposed.

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

Electrical:	Southern California Edison Company
Natural Gas:	The Gas Company
Sewer/Water:	Coachella Valley Water District
Schools:	Palm Springs Unified School District

Streets/Access: Access to the master plan is via I-10 to Bob Hope Drive, south approximately one mile to Dinah Shore Drive and west about one-half mile to the gated entrance of Del Webb at Rancho Mirage on the north side of Dinah Shore Drive. Access to the subject property is Dinah Shore Drive to Los Alamos Road and north to a gated entrance at Del Webb Way (main access through the master planned community)

I-10 is a major east west freeway providing access from the Pacific Ocean in Los Angeles to the Atlantic Ocean in Florida. The Interstate provides access across the southern portion of the United States

Bob Hope Drive is one of two offramps from I-10 providing the main access into Rancho Mirage, the other being Monterey Avenue. Bob Hope Drive becomes Rio del Sol north of I-10 and terminates about

two miles to the north. To the south Bob Hope Drive is one of the main north/south arterials in Rancho Mirage providing the main access to Highway 111, where it terminates.

Highway 111 is a connector highway that runs diagonally through the Coachella Valley connecting the nine cities along the foothills of the Santa Rosa Mountains.

Dinah Shore Drive is one of the main east/west arterials in Rancho Mirage beginning at Portola Road in the easterly adjacent city of Palm Desert and changing to Mesquite Avenue in downtown Palm Springs.

Los Alamos Road is an access road which provides the eastern entrance into the Mission Hills Golf Course Community at Via Bella. Vi Bella becomes Del Webb Way across Los Alamos Road. Los Alamos Road begins at Dinah Shore Drive and currently terminates at Ramon Road, just north of the subject.

The main entrance into Del Webb at Rancho Mirage is Del Webb Way, a divided road at the entrance gates off Dinah Shore Drive, looping through the community and exiting at the second gated entrance at Los Alamos Road. Del Webb Way is completed throughout the community. A portion of the divided road is not yet opened to the public, however is constructed.

Internal Streets (all generally complete) within the subject property include Chianti, Burgundy, Bordeaux, Barolo, Madeira, Reserve, Claret, Bodega, Malbec, Cuvee, Sherry, Vintage, Cork Tree and Gamay.

**Current Condition:** The subject property has been developed into 307 single-family detached lots with all streets paved (with the exception of the final lift on some streets) and utilities stubbed to each residential lot. The Clubhouse and model home complex are both complete and are within Phase I (not a part of this appraisal report). The property is being marketed as Del Webb at Rancho Mirage. Upon our inspection there are 164 closed, completed homes, an additional 23 houses over 95 percent complete (all in escrow), 59 houses under construction (55 which are in escrow) and 61 physically finished lots (38 in escrow).

**Costs to Complete:** We have reviewed costs provided by representatives of Pulte. The lots are in a generally physically finished condition with minimal hard costs remaining to be paid. In addition, there are remaining land development fees to be paid prior to either obtaining a building permit or a certificate of occupancy for each home.

The CFD No. 4B bonds are anticipated to fund the majority of the Development Impact Fees (“DIF”) and the Coachella Valley Water District (“CVWD”) fees leaving TUMF fees of approximately \$2,310 per lot and Palm Springs Unified School Fees of an estimated \$1,334 per lot as the builder’s responsibility. This appraisal assumes the improvements/fees to be funded by the special tax bonds have accrued to the subject property. Therefore, the 40 building permits remaining to be pulled results in \$145,749 in remaining fees to be paid. Based on the above information, the remaining costs of land development associated with the subject 307 lots are shown below.

<u>Description</u>	<u>Remaining</u>
36809-3 Hard Costs	0
36809-3 Soft Costs (Fees)	0
36809-4 Hard Costs	\$705,000
36809-4 Soft Costs (Fees)	\$431,836
Dinah Shore Drive	0
Dinah Shore/Los Alamos Signal	0
Los Alamos Road	0
Subtotal Remaining Costs	\$ 1,136,836
Less CFD Funded Fees	(286,088)
Total Remaining Costs	\$ 850,749

The individual homeowners are not liable for any of these costs; thus, the remaining hard costs will be spread among the 143 lots owned by the builder (61 lots, 59 lots under construction and 23 production homes over 95 percent complete). This results in an estimated \$4,930.07 in remaining hard costs per lot (\$705,000 divided by 143 lots) and \$145,749 in remaining fees associated with the remaining lots. These costs will be taken into account in the valuation section, later within this report.

**Overall Tax Rate:** The subject project is anticipating an overall tax rate in the 1.7 percent range. While this is 0.3 to 0.4 percent higher than the competition, it doesn’t seem to be a hinderance to the sales based on the exceptional sales rate of over 18 homes per month within the project since inception in June 2018.

**Description:** The subject property is a portion of Del Webb at Rancho Mirage that encompasses 307 proposed single-family detached homes. The homes are being built out in three neighborhoods known as The Classic Series, The Retreat Series and the Encore Series. The neighborhoods are spread throughout the community rather than building in one area exclusively. The three neighborhoods have a total of ten home plans. The ten plans range in size from 1,438 to 2,726 square feet. Some of the plans have options to add on square footage, however we will value the base size for each plan in our

analysis. In some instances, the square footage of the plan changes minimally due to the layout or the elevation of the home. In these instances, we will utilize the smallest sized plan.

All of the home exteriors include dual-glazed vinyl windows, concrete tile roofs and front yard landscaping with automatic sprinklers. The homes have minimum two-car garages with interior access, roll-up garage doors with automatic opener and concrete walks and driveway. Energy benefits include sustainable wall and ceiling insulation, Honeywell programmable WIFI-enabled thermostat control, HVAC systems, prewiring for future wireless access, tankless water heaters and solar panels (20-year lease with option to purchase and/or upgrade). Interiors include 13 x 13 tile flooring at entry, kitchen, laundry and baths, bullnose drywall, 3.25-inch baseboards throughout, LED downlights, interior laundry rooms with marble countertops, 2-panel interior doors and prewiring for ceiling fans. Kitchens include birch or maple cabinetry, Whirlpool high-end appliances, double basin sinks and marble countertops. Bathrooms include marble countertops, clear glass enclosures in master bath and birch or maple cabinetry. All homes appear to be in excellent condition with no visible depreciation.

We have reviewed sales information from the builder which included homes closings from December 11, 2019 through February 10, 2021. Closing prices ranged from \$389,547 to \$1,006,508. Per public record, there have been three resales within the subject and 20 resales within Phase I. Original base pricing at the project opening in June 2018 ranged from \$344,990 to \$550,990 while current base pricing ranges from \$407,990 to \$636,990 which reflects price increases on all plans ranging from \$63,000 to \$86,000 or in the 15 to 18 percent range over the 30-month time period. On top of base pricing there are lot premiums (generally due to location and size). In addition, most buyers typically purchase some options and upgrades over the base price of the home. In age-restricted neighborhoods the options and upgrades are typically higher due to several factors including (1) buyers bringing equity from a previous home sale, (2) more established homebuyers and (3) homebuyers anticipating they will stay in the home throughout their retirement. Below is a table showing the detail of the ten home plans.

<b>Residence</b>	<b>Room Count</b>	<b>Floors/ Parking</b>	<b>Sq. Ft.</b>	<b>Ind. Own</b>	<b>Bldr. Own</b>
<b>Classic Series</b>					
1	2 / 2	1 / 2	1,438	15	2
2	2 / 2	1 / 2	1,649	15	2
3	3 / 2	1 / 2	1,759	11	1
<b>Retreat Series</b>					
4	2 / 2	1 / 2	1,832	26	1
5	3 / 2	1 / 2+	1,858	18	4
6	3 / 2	1 / 2+	2,008	18	3
7	3 / 2.5	1 / 2+	2,187	22	3
<b>Encore Series</b>					
8	3 / 2	1 / 2+	2,329	12	2
9	3 / 2.5	1 / 2+	2,504	14	3
10	3 / 2.5	1 / 2+	2,726	13	2
<b>Totals</b>				<u>164</u>	<u>23</u>

The models are located within Phase I and are not included in this appraisal. In addition to the above detailed houses there are 59 houses under construction and 61 finished lots within CFD No. 4B.

## RIVERSIDE COUNTY / RANCHO MIRAGE HOUSING MARKET

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

### **Population**

The County population grew at a 0.8 percent increase over the past year and an average of 1.2 percent the previous eight years. This compares to an approximate 2.5 percent average annual increase prior to the recession. The slowdown in population growth is primarily due to the sluggish national economy. 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 ten 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. The COVID-19 influence is still unknown on the County's population growth. New home sales in the County are recently higher than the coastal communities due to affordability, the work from home factor and millennials finally entering the housing market which may increase future County population growth.

The City population grew at a 1.2 percent increase over the past year which is higher growth than the overall County which is directly due to the subject project. This equates to an increase of 228 residents, from 18,886 in January 2019 to 19,114 in January 2020 (latest statistics available from the State). It is interesting to note that in 2020 there were 146 home closings (relating to 250+ persons) within the subject project (Del Webb at Rancho Mirage) which suggests that the 2020-2021 population growth within the City should be slightly higher.

### **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 through January 2020. Once the COVID-19 pandemic hit in late February 2020, the housing market seemed to slow down significantly in March but by April new homes were once again going under contract with new homes selling at above average rates from April 2020 into February 2021 in the County.

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 until the economic shutdown due to COVID-19. The unemployment rate for the MSA was 9.1 percent (per the December 2020 Employment Development Department report), lower than the high of 15.1 percent in July 2010. The current rate is slightly lower than California's unemployment rate of 8.8 percent and higher than the December 2020 National rate of 6.5 percent. The pre-COVID rate in February for the MSA was 4.0 percent. It is now estimated that 52 percent of the jobs lost at the beginning of the pandemic have been recovered in the nation. While it was thought once the COVID pandemic ends, the nation will get back to the previous highs, it is now looking like there may be some changes in the post COVID economy. These changes include many companies switching to work-from-home for their employees whenever possible, on-line shopping will be a larger factor in retail, people moving out of urban areas to suburban areas, on-line academia rising and many now believing that the travel and leisure industry may never get back to the old "normal" as restaurants close, hotels are currently at less than 50 percent capacity and airline revenues are down over 70 percent year-over-year.

The housing market has played a large role in the past two recessions. 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 and essentially remained flat until mid-2012 when home prices began a steady climb.

Thus far into the COVID recession, new home sales have been the lone bright spot in the economy. While new home sales slowed in February and March 2020 due to the COVID-19 pandemic, prices did not appear to change in the County. Some builders increased concessions but by May they were back to where they were prior to COVID-19. The Inland Empire was documented as the tightest housing market in the nation (OC Register October 10, 2020) based on the supply. The supply of homes in the Inland Empire as of the end of September was 48 percent below one year-ago levels which is the biggest inventory drop among the 50 largest housing markets tracked in the nation. This has put pressure on prices to rise. As of mid-December, 83 percent of new home builders in the nation were stating pricing has increased over the past month. Per Metrostudy's survey of homebuilders, their largest concerns as of mid-December relate to (1) running out of lots to build on; (2) land price increases; (3) Government services taking longer; (4) labor shortages; (5) appraisals coming in below sales price; and, (6) building material cost increases and accessibility.

Home loan mortgage rates have been and are still playing a large part in the housing market. The Federal Reserve Board ("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 due to rising prices. The Board had kept interest rates below historical averages dropping rates to zero in December 2008. There had been eight subsequent one-quarter point increases with the December 2018 increase bringing the

Federal Rate to 2.25-2.5 percent which appeared to have a negative impact on home sales. In 2019 the Board reduced the rate one-quarter percent three times in an effort to spur the economy. This appeared to help as housing sales began to increase in early 2020, prior to COVID-19. On March 3, 2020, due to the COVID-19 pandemic economic disruption, the Board reduced the Federal Rate one-half percent. Then on March 16, 2020 they reduced the rate an additional one percent to the current Federal Rate of 0.00 – 0.25 percent, the lowest rate in history. The quoted average U.S. rate for a 30-year fixed mortgage per FRED (Federal Reserve Economic Data) as of February 11, 2021 was 2.73 percent which is below the previous low of 3.3 percent which occurred in January 2013. Mortgage applications have been spiking due to these low rates. Most economists are predicting that, once the economy gets back to full speed, the lower interest rates will help the housing market bounce back with some now stating that the housing market has more of a V-shaped recovery while the overall economy will be more U-shaped or swoosh-shaped. With COVID surging once again and several states at least partially shutting down, it is looking like this recession will be longer than originally forecast, however this does not seem to be affecting the new home market in the Inland Empire. While existing home listings appeared to slow during the pandemic, new home sales have been substantially increasing.

### **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 in the more coveted areas such Corona, Eastvale, Ontario Ranch, Riverside and Jurupa Valley in West Riverside County and Murrieta, Lake Elsinore, Menifee and Temecula in Southern Riverside County. The increase in housing prices since 2012 coupled with the limited availability of supply made land development feasible once again for homebuilders however the Coachella Valley was slower to come back with few new master planned communities. It is thought that the increase in regulations, which has significantly increased the time of processing entitlements, has limited the master developers in California. While prior to the recession it was not unusual to see numerous large master-planned communities selling lots to builders, there are few currently available in the

subject area. This is partially due to financing for land development which has been difficult to obtain. The majority of land sales over the past few years include single tracts of land with maps ready to record or a public builder buying a larger piece of land but develops the land for its own use, such as the subject Del Webb at Rancho Mirage. Land sales slowly grew from 2012 up to a peak in 2017. In a review of builder land transactions in Western Riverside County it was noted that residential land purchases were down slightly in 2018 and 2019 with 41 builder transactions in 2017, 36 builder land transactions in 2018, and 29 builder land deals in 2019. The year 2020 was projected to eclipse 2017 as builders are trying to keep up with the demand for new homes, however at this time (January 2021) the total count for 2020 builder land transactions in the market is estimated between 35 and 40. In the Coachella Valley however, residential land development came back slower than in other areas in the County. Due to the number of broken projects during the recession, partially completed lots were finally traded beginning in 2017 with public-owned homebuilders coming to the desert area once again. Most of the residential land transactions in the past few years include builders joint venturing with equity companies who purchased the broken projects out of bankruptcy or public builders purchasing these lands. One exception is the subject property which was entitled after the Great Recession.

New home sales within the overall County continued their strong pace into the first quarter of 2020 until the COVID-19 pandemic. Sales slowed for the month of March however rose in April and May with new home sales being a bright spot in the Inland Empire economy. Along with home sales comes a demand for appliances, furniture, building materials and services such as insurance, mortgage services, inspections, interior designers and landscapers. With new housing appearing to be one of the strongest sectors in the coronavirus economy, it appears there will be a rebound in new-home starts. While builders increased prices due to the heavy demand for new homes in the Inland Empire, appraisals are not able to keep up with the significant increases which may be slowing the appreciation to a more normal level. There is talk that the rush to build by the new-home builders in the Inland Empire may create a slower 2022/2023 in new home sales. That is, residential land has been selling exceptionally well in late

2020 and early 2021, but that may be pulling future demand forward creating a softening in the land market in the future.

The Coachella Valley differs from the remainder of the County due to the high amount of remotely owned homes. Within the Coachella Valley 39.6 percent of detached homes are remotely owned and in Rancho Mirage 51.5 percent of detached homes are remotely owned. Condominium ownership has even higher remote ownership with 72.5 percent of the condos in the Coachella Valley remotely owned and 68.2 percent of the condos in Rancho Mirage remotely owned. Thus, the Coachella Valley and in particular Rancho Mirage have a significant amount of second homeowners. Our review of new home projects in the area resulted in about 20 new home projects in the Coachella Valley/Greater Palm Springs area however only seven are considered to be comparable to the subject, that is that the buyers of the subject property, may consider these other new projects when looking for their new home. Within Rancho Mirage Del Webb is the only tract home new project currently selling. There are a couple of custom home lot programs which are not considered to be comparable.

### **New Home Sales and Pricing**

We have researched new single-family homes within the subject real estate market in order to reflect residential trends. It should be noted these sales numbers and prices pertain to new home sales while later in this section we discuss existing home sales. In reviewing new home sales in the Inland Empire market area, per the February 7, 2021 Ryness Report, the average year to date sales are 30 percent greater than the previous year average year-to-date sales. This increase was partially slowed due to the limited available supply which was not meeting demand, thus put pressure on pricing along with historically low interest rates. As rates go down, purchasing power becomes larger which gives new home buying a boost. The beginning of 2020 saw the market heading in a very positive direction; however, the onset of COVID-19 took the economy to a screeching halt. New home sales, however, are currently surging in the Inland Empire with prices increasing and 2021 looking very positive for both sales and pricing increases.

The years 2018 and 2019, as well as the first quarter of 2020, saw a significant increase in new home projects in the Inland Empire. Due to the high number of land sales in 2017, new home projects increased 65 percent over the past two years in the Inland Empire from 131 new home projects in January 2018 to 206 new home projects as of February 7, 2021 (according to Ryness Company Reports). While this sounds like a huge increase, the number of new home sales is still running about 75 percent below the average of 2002 through 2006. Below is a graph showing Riverside County new home sales (both attached and detached SFR) between 2001 and 2020. This compares with Riverside County’s population growth suggesting the need for about 10,000 new residential units per year. As of third quarter 2020 (most recent data available), there had been 1,315 new home sales in Riverside County, an increase from third quarter 2019 of 21.5 percent. However, it should be noted that first quarter 2019 had slow sales due to the increase in interest rates in December 2018.



Source: John Husing Quarterly Reports

Within the Coachella Valley similar statistics have occurred. Between 2000 and 2005 there were an average of 81 new home projects with an average sales per project of 54 homes. Between 2006 and 2008 the average number of new home projects increased to 131 (planned and began construction prior to the recession), with an average annual sales per project of 17 homes. Between 2009 and 2018 the average new home projects totaled 46, each with an average of 17 home sales per year. Per Ryness Report, as of February 7, 2021 there are 11 new home projects in the Coachella Valley with 77 new homes sales year to date, suggesting a monthly rate of about 5.5 homes per month. This does not include the subject property. The subject is experiencing a sales rate of over

18 homes **per month** which would equate to 200 sales per year which will make a significant difference in the new home sales rate in the Coachella Valley.

New single-family home prices (combines both attached and detached) in the Inland Empire has also seen changes. The median new home price in the Inland Empire changed from the peak value of \$437,200 in the third quarter of 2006 to \$268,155 in early 2009 (decrease of 39 percent) while the current new home median price is a record high of \$445,500 per John Husing's third quarter 2020 information (latest quarterly report distributed). This reflects an increase of over 65 percent from the bottom of the cycle and an increase of 1.9 percent over its previous peak. It is important to note that building trends changed to building smaller, more economical homes since pre-Great Recession, so this increase likely demonstrates an even higher increase when looking at a price per square foot basis. New home sale prices fluctuate based on the land value more than the cost of building the home. While finishes and sizes of homes can change, the basic costs on a per square foot basis do not fluctuate as much as land values, however there have been inflationary increases in construction costs adding to this increase.

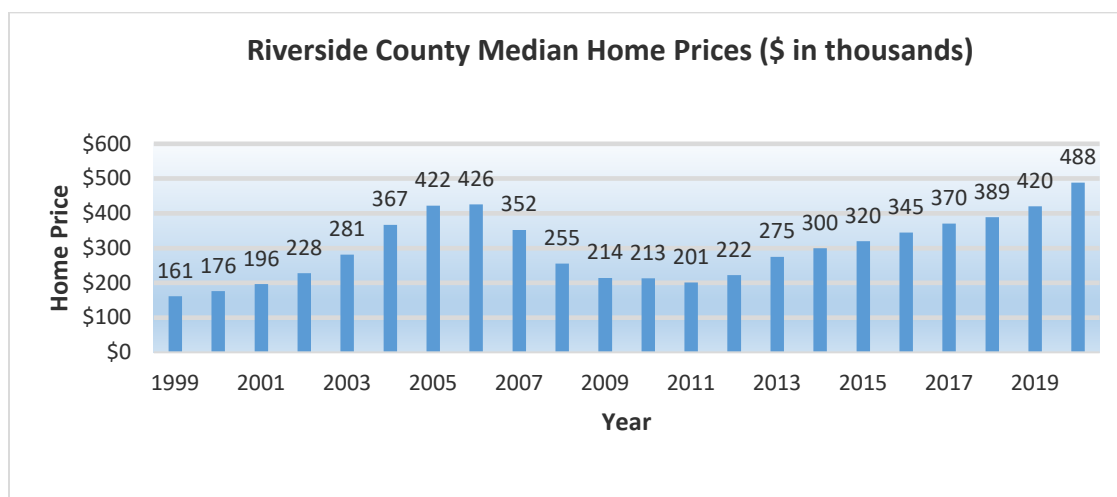
Sales in age qualified neighborhoods are good when the housing market is good however when the housing market hits a downturn, active adult communities fare worse than others because there are more discretionary buyers. When the COVID pandemic hit, age qualified neighborhood sales essentially came to a halt as homeowners stopped looking for new homes. It is a lifestyle choice to move into an active adult community which is easier in an increasing market when the old house can be sold however, when the market is flat or decreasing and houses aren't selling, there's no incentive pushing the buyer to move. For most new home projects in the Inland Empire, sales began in earnest in April/May and this appears to be what happened in the subject neighborhood. In the first quarter of 2020 there were eight closings of homes within Del Webb while in the second quarter of 2020 there were 48 closings; in the third quarter there were 25 closings and in the fourth quarter there were 66 closings.

Our search for comparable new home projects within the competitive market area resulted in three competitive age qualified neighborhoods (including the subject) and five

additional non-qualified neighborhoods in the immediate area. The age qualified neighborhoods have a price point range from \$306,990 to \$636,990.

### **Existing Home Sales and Pricing**

While the previous section looked at new home sales and pricing, this section refers to existing homes in Riverside County. Below is a chart showing just Riverside County's median home prices over the past 20 years.



According to the California Association of Realtors' most recent data, within overall Southern California, the median price paid for an existing single-family home in December 2020 (\$650,000) is down 1.2 percent month-over-month from November 2020 (\$657,850), but up 13.0 percent year-over-year from \$575,000 in December 2019. Existing home sales in overall Southern California were up 31.4 percent year-over-year as of December 2020. The low interest rates are allowing existing home owners to move up. The overall Southern California numbers compare to Riverside County with \$488,250 as the median price paid for an existing home in the County in December 2020, down 0.4 percent from November 2020 (\$490,000), however up 16.3 percent on a year-over-year basis (\$420,000). Sales of existing homes in the County were up 39.0 percent year-over-year, even higher than overall Southern California. Below is a table showing the sales and prices for the Southern California area by County per the California Association of Realtors.

Southern California Existing Home Sales						
County	Dec. 2020	Nov. 2020	Dec. 2019	Price MTM % Change	Price YTY % Change	Sales YTY % Change
Los Angeles	\$709,500	\$664,160	\$641,340	6.8%	10.6%	30.5%
Orange	\$950,000	\$930,000	\$840,000	2.2%	13.1%	25.1%
Riverside	\$488,250	\$490,000	\$420,000	-0.4%	16.3%	39.0%
San Bernardino	\$378,500	\$380,250	\$320,000	-0.5%	18.3%	28.2%
San Diego	\$730,000	\$740,000	\$655,000	-1.4%	11.5%	30.3%
Ventura	\$740,000	\$760,000	\$657,000	-2.6%	12.6%	41.7%

Source: California Association of Realtors

Based on December 2020 median 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 \$221,250 as compared to Los Angeles County, \$241,750 as compared to San Diego County, \$251,750 as compared to Ventura County and \$461,750 as compared to Orange County. That is, in December 2020, the median priced home in Riverside County was \$461,750 less (almost 50 percent less) than the median priced home in Orange County (\$950,000). However, San Bernardino County has a \$109,750 price advantage over Riverside County. Typically, as the price advantage widens, homebuyers are more open to commuting to further out areas. With the current work-from-home concept, the suburban areas are seeing more growth which is putting pressure on home prices.

### **Del Webb at Rancho Mirage Sales and Pricing**

Del Webb at Rancho Mirage has ten home plans available for sale ranging in size from 1,438 to 2,726 square feet with current base pricing generally from \$408,000 to \$637,000. The homes are age qualified and the sales office opened in June 2018. Within Phase I and II there is a total of 651 proposed homes with 590 sold to date (474 which have closed to individuals) suggesting an average sales rate of 18.4 homes per month, an exceptional sales rate for a new home project in the Inland Empire. In addition to the exceptional sales rate, Del Webb has had base price increases across all plans ranging from \$63,000 to \$86,000 since opening in June 2018. The exceptional sales rate is thought to be due to several factors including the Del Webb brand, the product, the

amenities within the project, the pricing, low interest rates, the location and accessibility of the project and the address of Rancho Mirage.

### **Summary**

Riverside County has seen a substantial increase in pricing since 2012 with some areas, including the Desert submarket, in the past year showing double-digit increases. While existing home sales were down the first half of 2020, new home sales shot up as the existing home market supply was constrained and interest rates hit all-time lows. While the number of new home projects has increased significantly in the Inland Empire over the past three years, sales have not increased at the same rate. However, in the past eight months the Inland Empire market has seen sales rates stronger than the previous several years. While the Coachella Valley struggled to come back since the Great Recession, recent land purchases and planned development show the market may be on an upswing. There is little new home product in the City of Rancho Mirage creating little competition for the subject project.

The year 2020 began poised for huge growth however the COVID-19 pandemic shook the existing home market. One positive impact is the new home market became the better option with new home sales growing over the past year. The sales rate within the subject project is higher than all other projects in the Coachella Valley, including other age qualified neighborhoods. Prices of new homes in the overall County have had significant increases of over 10 percent year-over-year with the subject increasing prices in the 8 to 17 percent range over the past 30 months. Despite uncertainty hitting the market with the COVID-19 outbreak, most observers agree that the Riverside County housing market is positive and healthy population growth is occurring in the County. While the COVID pandemic slowed sales and closings within Del Webb for a few months, closings for the past six months have been exceptional. The year 2021 began with a strong start with a continuation of the positive new home sale trends that 2020 brought about. Most believe that the age restricted market will continue to be strong while rates are low and prices are increasing.

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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>4</sup>*

Proper application of this analysis requires the subject property 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 approximately 87 gross acres of irregularly shaped land located one mile south of I-10 and 0.25 miles west of Bob Hope Drive in the City of Rancho Mirage in the area known as the Coachella Valley in eastern Riverside County, California. The subject property is bounded by the existing Phase I of the project to the south beyond which is Dinah Shore Drive and the Westin Mission Hills Golf Resort and Spa; undeveloped desert land to the east (beyond which is Bob Hope Drive);

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<sup>4</sup> The Appraisal of Real Estate, 11<sup>th</sup> Edition

undeveloped desert land to the north (beyond which is Ramon Road and I-10); and, Los Alamos Road to the west (beyond which is the Mission Hills Golf Course residential community). There is a gas station under construction at the southwest corner of Bob Hope Drive and Ramon Road which is slated to be the Agua Caliente Gas Station. The surrounding uses include golf courses, residences, a golf resort and spa, undeveloped desert lands and the Agua Caliente Resort Casino, northeast of the subject site at the northeast corner of Bob Hope Drive and Ramon Road. The site was generally level at surrounding street grade of Los Alamos Road and Dinah Shore Drive. The subject 87 gross acres has been developed into 307 single family detached lots with surrounding infrastructure generally in place. The internal streets are generally physically complete with utilities stubbed to each lot. The subject CFD No. 4B which is also known as the second phase of Del Webb at Rancho Mirage, does not include the model complex or the Outlook Clubhouse which is located in the first phase (also known as CFD No. 4A). The Outlook is completed and open for all residents within Del Webb and includes a social club with indoor and outdoor meeting areas, tennis and pickleball courts, bocce ball courts, a putting green, an event lawn and pool area.

We have reviewed a Phase I and Limited Phase II Environmental Assessment on the subject site and surrounding lands. The studies reviewed concluded the property was suitable for residential development. We did not receive any soils reports to review; however, it is an assumption of this appraisal 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 evidenced by County approvals along with County inspectors on site during construction and certificates of occupancy being obtained on homes within the site. An engineered drainage system has been designed into a street drainage system to alleviate any potential flooding problems and to control project water runoff. The site has good access from I-10 via Bob Hope Drive to Dinah Shore Drive to Los Alamos Road.

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 single-family residential use.

### **Legality of Use**

The subject property is located within the City of Rancho Mirage, the controlling entity to regulate land use. Per the City's General Plan, the subject is shown as R-M (Residential Medium Density allowing for up to 4.0 dwelling units per acre. Per the current zoning map the property is shown as being within the Section 24 Specific Plan and is defined as Planning Area 8. Per the Specific Plan, Planning Area 8 is identified as 313 acres with up to 1,200 dwelling units. The subject property is a portion of Planning Area 8. Additionally, Tract Map Nos. 36809-3 and 36809-4 have been recorded on the subject property subdividing the property into 307 single-family detached lots with a minimum lot size of 5,500 square feet and allowing for internal streets and open space areas. The approved mapping is consistent with the approved Specific Plan that has been approved on the property and is consistent with the general plan. Based on the legality of use analysis, the type of development for which the subject property 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 Coachella Valley has had some turbulent times since the Great Recession, however appears to have come back with several master planned communities now underway or in the planning stages. The majority of the residential land sales within the Coachella Valley are still leftover broken projects from prior to the Great Recession. While these broken projects have previously sold for less than the cost of improvements, the recent transactions are suggesting land development is once again feasible. Each community within the Coachella Valley has its own attractions and Rancho Mirage is known for the exclusive golf clubs and upscale neighborhoods. There have been two large residential land sales within Rancho Mirage within the past five years, the subject land purchase and the

purchase of Section 31, a proposed master planned community about two miles south of the subject property. In addition, there have been several single lot sales, for development of custom homes within the City.

Within CFD No. 4B, out of a total of 307 proposed homes 280 have been sold to date with 164 of the homes closed to individuals. There have been minimal new homes offered in the City of Rancho Mirage within the past year with the exception of Del Webb at Rancho Mirage (subject property). While there are three other age restricted master planned communities in the Coachella Valley, they are not experiencing the same absorption rates as the subject. It is believed this is due to the convenient location of Del Webb at Rancho Mirage, the design of the project, along with the Del Webb “brand” that pulls age qualified buyers. Shea’s Trilogy at the Polo Club and K. Hovnanian’s Four Season’s at Terra Lago are also experiencing good to very good sales rates, however not as high as Del Webb. Population growth is still occurring in the area and will continue to create the need for full-time housing along with the second home buyers.

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, there were minimal new home projects opening in the Coachella Valley with only one, the subject, in Rancho Mirage. The 55+ communities with good branding have been well received in the Valley. The competition of age restricted new homes in the Valley suggest the market is strong, however the location and brand appear to have a strong effect on the absorption rate. The age qualified market appears to sell at a premium as some empty nesters downsize from larger family homes, thus have equity for the purchase or it is a discretionary purchase of a second home. 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 residential development.

### **Highest and Best Use Conclusion – “As 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 Vacant” is for residential development.

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

The subject property consists of the second phase of Del Webb at Rancho Mirage, a master planned community proposed for 1,029 detached, age-qualified homes. The first phase is sold out (total of 344 proposed homes) with the exception of the models and final build-out which have not yet been released. The second phase of 307 proposed homes has sold 280 and closed 164. The homes are all single-story with a size range from 1,438 to 2,728 square feet. The project opened for sale in June 2018 with 590 home sales to date suggesting an average rate of 18.4 sales per month which is exceptional for any project in the Inland Empire. The other two age restricted projects within the Coachella Valley have very good absorption rates of 6.8 homes per month (Trilogy at the Polo Club) and 5.9 sales per month (Four Seasons at Tera Lago). Within Del Webb at Rancho Mirage, they have increased base pricing \$63,000 per plan since the Grand Opening in June 2018.

All of the subject homes appear to be in excellent condition with no physical depreciation of structures visually apparent. The sales rate within the subject neighborhood suggests there is demand for new, age restricted homes in the current market. All of the homes are of good design and appear to be of good quality workmanship. Based on the overall sales rate within Del Webb at Rancho Mirage, it is our conclusion that the highest and best use for the subject property is for the continued use, as improved.

## VALUATION ANALYSES AND CONCLUSIONS

The Sales Comparison Approach is typically the primary approach used to value residential lands which have been developed into finished lots. This approach compares similar properties that have recently sold or are in escrow to the subject parcels. After a lull in land sales due to the Great Recession, residential land sales in the Coachella Valley have recently returned to the homebuilding market. In determining the value for the property, a unit of comparison needs to be addressed. For detached single-family lots, the lots are typically sold on a finished lot basis with the condition of the land taken into consideration. That is, the sales price is determined by a finished lot value, then the remaining costs to develop the property to a true finished lot condition are taken into consideration. Therefore, in determining a current market value for the lands, the current condition of the lots will be considered.

In the case of valuing the completed houses, the Sales Comparison Approach will be used. Our search for comparables will include all new home projects within the immediate area along with age restricted communities in the Coachella Valley which are considered to be most similar. In determining the value for each house, 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.

In the case of the completed (over 95 percent complete) builder-owned models and production units, the homes will be valued using the Sales Comparison Approach to value to conclude on a retail base value for each plan, followed by a Discounted Cash Flow ("DCF") Analysis due to the single ownership. The DCF will consider the retail market value of the completed homes, remaining development costs (if any), 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 along with the time value of money during the estimated absorption period. In determining the concluded base value, new home sales in the area will be

reviewed and compared with sales of the subject completed homes using standard methodology and statistical testing. In the case of the individually owned homes, the concluded base value will be used for each plan and a mass appraisal technique will be used. All of the value conclusions will assume that the improvements funded by the CFD No. 4B, Special Tax Bonds are completed and in place and that the property is subject to the Special Tax Lien.

The valuation will be presented as follows: First, a discussion of the residential land sales will be given. Each of the transactions will be detailed along with a comparison discussion of their relationship to the subject property. In addition, we will review large land transactions, single lot transactions and historical costs of development. Following the land value conclusions, the valuation for each home plan will be given, followed by a discounted cash flow analysis for the builder-owned existing homes and the reported minimum market value for the individually owned homes.

### **Market Data Discussion – Residential Lots**

We have searched the area and found the nine land transactions discussed below and summarized in the Addenda, to be most comparable to the subject property. Although some sales refer to “finished lots”, they are typically physically finished lots with some land development fees remaining to be paid in order to be considered true finished lots. Our search revealed only one land sale of an age qualified community; thus, all types of residential land sales were reviewed. Below are the details of each of the comparable land sales along with a discussion of each transaction in relationship to the subject lands.

**Land Sale No. 1** refers to the current escrow of 132 lots within the 55+ age qualified neighborhood known as Domani in Palm Desert about eight miles southeast of the subject property. Pulte Homes is in escrow to purchase the 132 lots which are in a blue topped condition with recorded mapping in place. Domani was originally constructed by the Rilington Group who developed a clubhouse, pool and about 70 homes which were sold between 2017 and 2019. Rilington Group doesn’t have the name recognition for the over 55 age qualified group as Del Webb (Pulte), Trilogy (Shea) or Four Season’s (K

Hovnanian) does which makes it hard to compete with the national brands. Rilington decided not to develop the remainder of the lots. The lots are located north of I-10 along north of 40<sup>th</sup> Avenue and west of Adams Street in the City of Palm Desert. Due to the sensitivity of the current escrow, we have kept the sales price confidential in our file however have considered this sale in our analysis. In comparison to the subject this transaction is significantly inferior in location (Palm Desert versus Rancho Mirage), amenities (smaller pool and minimal clubhouse) and surroundings (north of I-10).

**Land Sale Nos. 2 and 7** refer to two sales within the master planned community known as Miralon in Palm Springs about eight miles northwest of the subject. Miralon was proposed as a golf course community and was graded prior to the Great Recession and then stopped development for about 10 years. Freehold Communities reconfigured the 310 acres with olive groves rather than the golf course, known as an agri-hood, which will be capable of generating olive oil. Freehold (Avalon 1150 LLC) is the master developer and has finished developing the lands, planted the groves and is now selling lots to builders. Land Sale No. 2 closed in early 2021 to Gallery Homes with a phase of nine lots closing January 13, 2021 for \$1,458,000 or \$162,000 per lot based on an estimated finished lot price of \$195,000. The lots have a minimum lot size of 6,300 square feet and closed in a generally finished condition with development fees remaining. Gallery Homes is marketing Galley at Miralon, which is proposed for a total of 50 homes with sizing estimated from 2,350 to 3,059 square feet and pricing anticipated to begin in the \$800,000s. The Gallery lots are the largest lots sold thus far within Miralon at 6,300 square feet. Land Sale No. 7 refers to Woodbridge Pacific Group purchasing 10 lots per take-down within Miralon for their Flair project. The lots have a minimum lot size of 5,000 square feet and sold for \$125,000 based on an estimated \$155,000 finished lot value. Flair has home sizes from 2,100 to 2,800 square feet with pricing from \$669,000 to \$879,000. The transaction is for a total of 44 lots with the first take-down in August 2019 and subsequent take-downs in August 2020 and December 2020. In comparison to the subject property these transactions are considered to be in a slightly inferior location (outskirts of Palm Springs) and due to these being some of the first land sales

within Miralon. When a new community begins selling lots, the first land sales can be discounted in order to attract builders.

**Land Sale Nos. 3 and 4** refer to two Lennar purchases in the City of Indio, both broken projects that stopped construction during the Great Recession. Both are located north of I-10 in less desirable neighborhoods. Data No. 3 is located about 11 miles southeast of the subject. Lennar purchased 139 remaining lots with 56 partially finished and 83 blue-topped lots. The project was previously known as Paradiso. Lennar purchased the minimum 7,200 square foot lots in December 2020 for \$10,500,000 or \$72,302 per lot based on an estimated finished lot price of \$137,000. Data No. 4 is located across Monroe from to Data No. 1, about eight miles southeast from the subject. Monroe Street is the dividing line between the cities of Palm Desert and Indio in this area. Lennar purchased 55 remaining lots within the broken project known as Espana. While it was graded prior to the Great Recession, additional grading will be needed. The lots have a 6,600 square foot lot size and sold for \$1,960,000 or \$35,636 per lot based on an estimated finished lot price of \$106,000. In comparison to the subject property, both of these transactions are considered to be significantly inferior in location, inferior in condition (portions of broken projects) however slightly superior in lot size.

**Land Sale No. 5** pertains to the August 2020 sale of three custom lots within the Gold Reserve at the Citrus Club, La Quinta, twelve miles southeast of the subject site. The lots sold for \$490,000 or \$163,333 per lot. This price does not take into account the development fees which we were unable to obtain. This was a re-sale of the three lots which sold for \$440,000 in July 2018. The lots had a minimum lot size of 10,000 square feet with the largest at 14,000 square feet and are located within one of the gated communities within La Quinta. The asking price for the three lots was \$199,000 per lot in early 2018 or \$597,000. The lots were in a physically finished condition at time of both sales with development fees remaining. The 2018 buyer was contemplating speculative homes on the lots however was approached by a builder who offered a \$50,000 profit for them to re-sell. The new sale included a one-year escrow while the builder processed plans for homes on the lots. In comparison to the subject property, these lot sizes are

larger which is considered superior. In addition, there were only three lots creating less risk which is considered to be superior however the time elapse since escrow was signed (over one-year) is considered to be inferior due to the appreciation in the marketplace.

**Land Sale No. 6** pertains to D.R. Horton's purchase of 126 lots located in Indio about 14 miles southeast of the subject property. This site is also north of I-10 near the eastern border of Indio near Coachella. D.R. Horton purchased the lots from WSI Mojave Inv. LLC in July 2020 for \$5,900,000 or \$46,825 per lot based on an estimated finished lot price of \$117,000. This was a broken project which was mass graded prior to the Great Recession with some homes built and sold. The lots have a minimum lot size of 7,000 square feet. In comparison to the subject property this location is considered to be significantly inferior. Additionally, the condition of the lands is considered inferior while the lot size is slightly superior.

**Land Sale No. 8** refers to the March 2019 sale of 102 small lots located in downtown Palm Springs along the east side of Palm Canyon Drive north of Mesquite Avenue, seven miles west of the subject property. Toll Brothers purchased the property March 27, 2019. The site included three outlying parcels proposed for commercial development with 8.8 acres allotted for the 102 homes and 15,000 square feet of proposed commercial use. The site was purchased for \$10,000,000 which equates to \$98,039 per lot for the 102 proposed lots, without attributing any of the price to the commercial site. The lands had been mass graded previous to the recession and have been sitting for many years. Toll Brothers is now marketing their Cody Place townhome project with two and three-story homes with attached garages and roof decks. The home sizes range from 1,840 to 3,269 square feet and pricing from \$685,990 to \$895,990. This site is located within walking distance of downtown Palm Springs. The buyer wasn't willing to discuss finishing costs of the lots, thus we do not have a finished lot estimate for this market data. When comparing to the subject property, this address and surrounding amenities are considered to be inferior and the lot sizes are significantly smaller making it further inferior to the subject site.

In addition to the above discussed land transactions, we have found five custom lot sales within the Mission Hills Golf Course community, immediately across Los Alamos Road from the subject. These five land sales all occurred within the past six months with pricing from \$250,000 to \$850,000 depending on size and the amount of golf course frontage. The lots sizes range from generally one-quarter acre to a little over one-half acre. While these are not considered to be directly comparable to the subject's finished lots, we have included the information due to their proximity to the subject and to show the activity in the area.

Finally, in our quest for land sales we also uncovered the sale of Section 31, a master planned community located within a couple miles of the subject property in Rancho Mirage. Section 31 is proposed as an upscale community proposed for 1,932 homes, 175,000 square feet of commercial space, a 400-room resort all located on 618 acres. The parcel sold in March 2018 for \$75,000,000. In November 2019 a specific plan for Section 31 was approved by the City. The site is proposed as a master plan around a 34-acre lagoon. Section 31 has yet to begin construction, thus finished lot prices were not available. We have included this information to show that residential land in Rancho Mirage is in demand.

The following chart summarizes the considerations used in adjusting the market data to the subject property.

<b>Data No.</b>	<b>Location</b>	<b>Date of Sale</b>	<b>Lot Size</b>	<b>Finished Lot Price</b>	<b>Comparison to Subject</b>
1	Palm Desert	Cur. Esc.	4,500	Confidential	Inferior – Location, Amenities and Surroundings
2	Palm Springs	1/21	6,300	\$195,000	Inferior – Location, First Transactions in New Community
3	Indio	12/20	7,200	\$137,000	Inferior – Location and Condition Superior – Lot Size
4	Indio	9/20	6,600	\$106,000	Inferior – Location and Condition Slightly Superior – Lot Size
5	La Quinta	8/20	10,000+	N/A* \$146,667	Superior – Lot Size
6	Indio	7/20	7,000	\$117,000	Inferior – Location and Condition Superior – Lot Size

7	Palm Springs	8/19	5,000	\$155,000	Inferior – Location, First Transactions in New Community, Date of Sale
8	Palm Springs	3/19	3,000	N/A* \$98,039	Inferior – Townhome 2 and 3-story project, Date of Sale Superior – Walk to Down Town PS

\*These refer to sales price for the land – finishing costs were unavailable. Finished lot cost is higher.

The market data has an overall finished lot range from \$106,000 - \$195,000. The only age-qualified project our search revealed in the immediate area is Data No. 1. The highest end of the range refers to two Palm Spring land transactions (Data Nos. 2 and 7) which are for larger lots in a new, re-worked, master planned community. These two sales sold for \$195,000 and \$155,000 respectively with Data No. 7 at \$155,000 being one of the first sales which typically commands a discount until the synergy of a new community gets going. Data Nos. 1, 3, 4 and 6 are all located north of the I-10 Freeway in Palm Desert and Indio which are considered to be inferior locations when compared to Rancho Mirage. When reviewing the median home listing price in Rancho Mirage (\$647,500) to the median home listing price in Palm Desert (\$415,000) and in Indio (\$388,000), the median home listing price in Rancho Mirage is 56 percent higher than Palm Desert and 66 percent higher than Indio. These statistics are from Realtor.com for current listings. As discussed under the Riverside County Housing Market, there has been, at minimum, a ten percent increase over the past year making Data Nos. 7 and 8 inferior to the subject property's current market value due to date of sale. While we have not disclosed the sales price of Data No. 1 due to confidentiality purposes, we have considered it in our analysis.

### **Lot Value Conclusion**

The subject lots are located within a highly successful age qualified community with the highest absorption rate in the area. Based on the land sales in the area and taking into consideration the profit participation agreement, we have concluded that the subject lots have a current finished lot value of \$180,000. We are valuing a home under construction (under 95 percent complete) as a finished lot rather than attribute value to a partially complete improvement. The subject property includes 61 generally finished lots and 59 homes which are in varying stages of construction, but all under 95 percent complete. Therefore, we are valuing 120 lots within this section. As previously discussed, there are

additional hard costs associated with the remaining builder owned property which equate to \$4,930.07 per lot (or \$591,608 for the 120 lots) and \$145,749 in remaining fees associated with the remaining lots. The valuation for the 120 builder-owned lots is calculated as shown on the following page.

120 Lots x \$180,000	\$21,600,000
Less: Remaining Hard Costs	(591,608)
Remaining Land Development Fees	<u>(145,749)</u>
As Is value for Pulte Owned Lots	<u>\$20,862,743</u>

**Pulte Homes Ownership - Houses Valuation**

We have searched the area in order to find comparable new home projects. Our search resulted in two additional age qualified neighborhoods, similar to the subject property, which include Four Seasons at Tera Lago and Trilogy at the Polo Club. There is a third age qualified neighborhood known a Domani which is located about 8 miles southeast of the subject property just north of I-10 and east of Washington Street in Palm Desert. This project was originally developed by Rilington Group, a local builder however they put the remaining lots up for sale in 2019 due to the slow sales rate within the project. It appears the branded age qualified neighborhoods sell homes at a much faster rate. It is our understanding that Pulte is purchasing the remainder of the lots within Domani and will be marketing their Renata at Domani project within the next year.

Four Seasons is located about 13 miles southeast of the subject, also north of I-10 with the nearest offramp being Golf Center Parkway in Indio. Four Seasons is being developed by K. Hovnanian within the Tera Lago project which was started prior to the great recession. While driving into the project, you pass several undeveloped areas suggesting this was a “broken project”, along with the Tera Lago Golf Course, a public golf course. Once within the Four Seasons gated community, the atmosphere is similar to the subject Del Webb at Rancho Mirage with open space, trails, golf cart trails and an executive pool and clubhouse known as The Lodge. Four Seasons opened for sale in May 2014, has an overall tax rate in the 1.35 percent range and has experienced an average sales rate of 5.9 sales per month.

Trilogy at the Polo Club is located about 15 miles southeast of the subject, about five miles south of I-10 between Jackson and Monroe Street along the north side of Avenue 52 in Indio. Trilogy is being developed by Shea Homes and has an impressive entrance, open space areas, trails and executive clubhouse known as the Polo Club. Trilogy has an overall tax rate in the 1.35 percent range and an average sales rate of 6.8 homes per month since opening in March 2016. Once you are inside the gate, the Trilogy project is considered similar to Del Webb at Rancho Mirage, however Trilogy is located further out from the Los Angeles and Orange County basin, which is considered to be slightly inferior due to the longer commute.

In addition to these two age restricted projects, we have included in our market data five new home projects within near proximity to the subject, two which are located in Palm Desert, two which are located in Palm Springs and one which is located in La Quinta. There is only one additional new home neighborhood in Rancho Mirage however it includes a total of ten lots (minimum 10,000 square feet) with semi-custom homes starting at over \$1,200,000 and is not considered to be comparable. A listing of these comparable new homes projects is located in the Addenda.

The subject property contains 307 single family detached lots, 164 which have completed homes and have closed to individuals, 23 which have homes over 95 percent complete (all in escrow and due to close upon completion) and 120 remaining lots (59 with homes under construction and 93 in escrow). The 120 lots have been valued above. The individually owned homes will be valued later within this report. This section will value the homes over 95 percent complete which are owned by Pulte. There are ten plans. A valuation for each plan will follow.

Due to the single ownership of multiple houses by Pulte Homes, a Discounted Cash Flow (“DCF”) analysis is needed in order to arrive at a bulk value for the homes. First, a retail value for each plan will be concluded, followed by a DCF for the builder which will take into consideration the absorption time to sell off the builder owned houses, the costs associated with selling off the homes and any remaining development costs to be paid

by the builder within each neighborhood. The resulting revenue will be discounted using an appropriate rate to determine the builder-owned bulk value.

Below is a summary of the floor plans within Del Webb at Rancho Mirage. As previously stated, a listing of the improved residential comparable properties is located in the Addenda of this report.

<b>Residence</b>	<b>Room Count</b>	<b>Floors/ Parking</b>	<b>Sq. Ft.</b>	<b>Ind. Own</b>	<b>Bldr. Own</b>
Classic Series					
1	2 / 2	1 / 2	1,438	15	2
2	2 / 2	1 / 2	1,649	15	2
3	3 / 2	1 / 2	1,759	11	1
Retreat Series					
4	2 / 2	1 / 2	1,832	26	1
5	3 / 2	1 / 2+	1,858	18	4
6	3 / 2	1 / 2+	2,008	18	3
7	3 / 2.5	1 / 2+	2,187	22	3
Encore Series					
8	3 / 2	1 / 2+	2,329	12	2
9	3 / 2.5	1 / 2+	2,504	14	3
10	3 / 2.5	1 / 2+	2,726	13	2
Totals				164	23

The most appropriate new home comparable data for Plan 1 are shown below.

<b>Data</b>	<b>Plan</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	1	2 / 2	1 / 2	1,438	--
1	2	2 / 2	1 / 2	1,649	\$262.58
2	R-1	2 / 2	1 / 2	1,294	\$237.24
2	F-1	2 / 2	1 / 2	1,448	\$245.85
3	1	2 / 2	1 / 2	1,559	\$202.05
5	1	3 / 2	1 / 2	1,757	\$255.49
7	1	3 / 2.5	1 / 2	1,894	\$366.89

Data No. 1 refers to the most similar plan within the subject project. Data Nos. 2 and 3 are age restricted communities while Data Nos. 5 and 7 are non-age restricted communities. Data No. 7 includes either a private pool or spa in the price of the home. All houses appear to be of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, HOA amount, lot size, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other

amenities associated with each neighborhood. The comparable new home base prices range from \$202.05 to \$366.89 per square foot with the highest price per square foot including a private pool or spa. The lowest price per square foot refers to the age qualified neighborhood north of I-10 in an inferior location. The asking base price for the subject Plan 1 is currently \$283.72 per square foot. Within CFD No. 4B there have been 15 closings of Plan 1 with actual sales prices ranging from \$270.90 to \$335.36 per square foot. There are currently five escrows of Plan 1 with actual sales prices ranging from \$286.83 to \$315.35. It should be noted that most homebuyers purchase some upgrades, premiums and options which increase the sales price. Our concluded price is based on the base price of the home with no upgrades, premiums or options considered. All homes appear to be in excellent condition with no depreciation visible. In addition, we have reviewed re-sale home prices within all of Del Webb at Rancho Mirage including both the first phase (CFD No. 4A) and the second phase (CFD No. 4B). Our search did not reveal any re-sales of Plan 1. It has been concluded that Plan 1 has a base current market value of \$270.00 per square foot. This calculates as follows:

$$1,438 \text{ sf} \times \$270.00 = \$388,260$$

The most appropriate new home comparable data for Plan 2 are shown below.

<b>Data</b>	<b>Plan</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	2	2 / 2	1 / 2	1,649	--
1	1	2 / 2	1 / 2	1,438	\$283.72
1	3	2 / 2	1 / 2	1,759	\$258.66
2	R-4	2 / 2.5	1 / 2	1,678	\$208.58
2	F-2	2 / 2	1 / 2	1,622	\$233.66
3	2	2 / 2	1 / 2	1,600	\$204.99
5	1	3 / 2	1 / 2	1,757	\$255.49
7	1	3 / 2.5	1 / 2	1,894	\$366.89

Data No. 1 refers to the most similar plans within the subject project. Data Nos. 2 and 3 are age restricted communities while Data Nos. 5 and 7 are non-age restricted communities. Data No. 7 includes either a private pool or spa in the price of the home. All houses appear to be of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, HOA amount, lot size, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities associated with each neighborhood. The comparable new home base prices

range from \$204.99 to \$366.89 per square foot with the highest price per square foot including a private pool or spa. The lowest price per square foot refers to the age qualified neighborhood north of I-10 in an inferior location. The asking base price for the subject Plan 2 is currently \$262.58 per square foot. Within CFD No. 4B there have been 15 closings of Plan 2 with actual sales prices ranging from \$261.08 to \$309.95 per square foot. There are currently nine escrows of Plan 2 with actual sales prices ranging from \$255.48 to \$339.13. It should be noted that most homebuyers purchase some upgrades, premiums and options which increase the sales price. Our concluded price is based on the base price of the home with no upgrades, premiums or options considered. All homes appear to be in excellent condition with no depreciation visible. In addition, we have reviewed re-sale home prices within all of Del Webb at Rancho Mirage including both the first phase (CFD No. 4A) and the second phase (CFD No. 4B). Our search revealed two re-sales of Plan 2 within CFD No. 4A with closing prices between \$260.11 and \$271.27 per square foot. It has been concluded that Plan 2 has a base current market value of \$250.00 per square foot. This calculates as follows:

$$1,649 \text{ sf} \times \$250.00 = \$412,250$$

The most appropriate new home comparable data for Plan 3 are shown below.

<b>Data</b>	<b>Plan</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	3	2 / 2	1 / 2	1,759	--
1	2	2 / 2	1 / 2	1,649	\$262.58
1	4	2 / 2	1 / 2	1,832	\$257.64
2	R-4	2 / 2.5	1 / 2	1,678	\$208.58
2	F-3	3 / 2	1 / 2	1,847	\$212.23
3	3	2 / 2	1 / 2	1,706	\$185.81
5	1	3 / 2	1 / 2	1,757	\$255.49
7	1	3 / 2.5	1 / 2	1,894	\$366.89

Data No. 1 refers to the most similar plans within the subject project. Data Nos. 2 and 3 are age restricted communities while Data Nos. 5 and 7 are non-age restricted communities. Data No. 7 includes either a private pool or spa in the price of the home. All houses appear to be of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, HOA amount, lot size, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other

amenities associated with each neighborhood. The comparable new home base prices range from \$185.81 to \$366.89 per square foot with the highest price per square foot including a private pool or spa. The lowest price per square foot refers to the age qualified neighborhood north of I-10 in an inferior location. The asking base price for the subject Plan 3 is currently \$258.66 per square foot. Within CFD No. 4B there have been 11 closings of Plan 3 with actual sales prices ranging from \$262.72 to \$343.25 per square foot. There are currently seven escrows of Plan 3 with actual sales prices ranging from \$275.01 to \$314.64. It should be noted that most homebuyers purchase some upgrades, premiums and options which increase the sales price. Our concluded price is based on the base price of the home with no upgrades, premiums or options considered. All homes appear to be in excellent condition with no depreciation visible. In addition, we have reviewed re-sale home prices within all of Del Webb at Rancho Mirage including both the first phase (CFD No. 4A) and the second phase (CFD No. 4B). Our search revealed three re-sales of Plan 3 within CFD No. 4A and two re-sales of Plan 3 within CFD No. 4B with closing prices between \$271.13 and \$319.15 per square foot. It has been concluded that Plan 3 has a base current market value of \$248.00 per square foot. This calculates as follows:

$$1,759 \text{ sf} \times \$248.00 = \$436,232$$

The most appropriate new home comparable data for Plan 4 are shown below.

<b>Data</b>	<b>Plan</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	4	2 / 2	1 / 2	1,832	--
1	3	2 / 2	1 / 2	1,759	\$258.66
1	5	2 / 2	1 / 2	1,858	\$256.72
2	F-3	3 / 2	1 / 2	1,847	\$212.23
2	F-4	2 / 2	1 / 2	1,928	\$207.46
3	4	2 / 2	1 / 2	1,884	\$175.15
5	1	3 / 2	1 / 2	1,757	\$255.49
5	2	2 / 2.5	1 / 2	1,930	\$237.77
7	1	3 / 2.5	1 / 2	1,894	\$366.89

Data No. 1 refers to the most similar plans within the subject project. Data Nos. 2 and 3 are age restricted communities while Data Nos. 5 and 7 are non-age restricted communities. Data No. 7 includes either a private pool or spa in the price of the home. All houses appear

to be of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, HOA amount, lot size, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities associated with each neighborhood. The comparable new home base prices range from \$175.15 to \$366.89 per square foot with the highest price per square foot including a private pool or spa. The lowest price per square foot refers to the age qualified neighborhood north of I-10 in an inferior location. The asking base price for the subject Plan 4 is currently \$257.64 per square foot. Within CFD No. 4B there have been 26 closings of Plan 4 with actual sales prices ranging from \$236.28 to \$350.03 per square foot. There are currently seven escrows of Plan 4 with actual sales prices ranging from \$242.67 to \$407.27. It should be noted that most homebuyers purchase some upgrades, premiums and options which increase the sales price. Our concluded price is based on the base price of the home with no upgrades, premiums or options considered. All homes appear to be in excellent condition with no depreciation visible. In addition, we have reviewed re-sale home prices within all of Del Webb at Rancho Mirage including both the first phase (CFD No. 4A) and the second phase (CFD No. 4B). Our search revealed two re-sales of Plan 4 within CFD No. 4A and no re-sales of Plan 4 within CFD No. 4B with closing prices between \$281.11 and \$316.59 per square foot. It has been concluded that Plan 4 has a base current market value of \$245.00 per square foot. This calculates as follows:

$$1,832 \text{ sf} \times \$245.00 = \$448,840$$

The most appropriate new home comparable data for Plan 5 are shown below.

<b>Data</b>	<b>Plan</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	5	2 / 2	1 / 2	1,858	--
1	4	2 / 2	1 / 2	1,832	\$257.64
1	6	3 / 2	1 / 2	2,008	\$248.50
2	F-3	3 / 2	1 / 2	1,847	\$212.23
2	F-4	2 / 2	1 / 2	1,928	\$207.46
3	4	2 / 2	1 / 2	1,884	\$175.15
5	1	3 / 2	1 / 2	1,757	\$255.49
5	2	2 / 2.5	1 / 2	1,930	\$237.77
7	1	3 / 2.5	1 / 2	1,894	\$366.89

Data No. 1 refers to the most similar plans within the subject project. Data Nos. 2 and 3 are age restricted communities while Data Nos. 5 and 7 are non-age restricted communities.

Data No. 7 includes either a private pool or spa in the price of the home. All houses appear to be of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, HOA amount, lot size, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities associated with each neighborhood. The comparable new home base prices range from \$175.15 to \$366.89 per square foot with the highest price per square foot including a private pool or spa. The lowest price per square foot refers to the age qualified neighborhood north of I-10 in an inferior location. The asking base price for the subject Plan 5 is currently \$256.72 per square foot. Within CFD No. 4B there have been 18 closings of Plan 5 with actual sales prices ranging from \$239.69 to \$402.91 per square foot. There are currently 11 escrows of Plan 5 with actual sales prices ranging from \$258.68 to \$373.17. It should be noted that most homebuyers purchase some upgrades, premiums and options which increase the sales price. Our concluded price is based on the base price of the home with no upgrades, premiums or options considered. All homes appear to be in excellent condition with no depreciation visible. In addition, we have reviewed re-sale home prices within all of Del Webb at Rancho Mirage including both the first phase (CFD No. 4A) and the second phase (CFD No. 4B). Our search revealed two re-sales of Plan 5 within CFD No. 4A and no re-sales of Plan 5 within CFD No. 4B with closing prices between \$304.04 and \$322.93 per square foot. It has been concluded that Plan 5 has a base current market value of \$245.00 per square foot. This calculates as follows:

$$1,858 \text{ sf} \times \$245.00 = \$455,210$$

The most appropriate new home comparable data for Plan 6 are shown below.

<b>Data</b>	<b>Plan</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	6	3 / 2	1 / 2	2,008	--
1	4	2 / 2	1 / 2	1,858	\$256.72
1	7	3 / 2	1 / 2	2,187	\$237.76
2	F-4	2 / 2	1 / 2	1,928	\$207.46
2	F-5	2 / 2.5	1 / 2	2,039	\$216.28
3	4	2 / 2	1 / 2	1,884	\$175.15
4	1	3 / 2	1 / 2	2,274	\$272.60
5	3	3 / 2.5	1 / 2	1,950	\$250.72
7	2	3 / 3.5	1 / 2	2,084	\$343.04

Data No. 1 refers to the most similar plans within the subject project. Data Nos. 2 and 3 are age restricted communities while Data Nos. 4, 5 and 7 are non-age restricted communities. Data No. 7 includes either a private pool or spa in the price of the home. All houses appear to be of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, HOA amount, lot size, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities associated with each neighborhood. The comparable new home base prices range from \$175.15 to \$343.04 per square foot with the highest price per square foot including a private pool or spa. The lowest price per square foot refers to the age qualified neighborhood north of I-10 in an inferior location. The asking base price for the subject Plan 6 is currently \$248.50 per square foot. Within CFD No. 4B there have been 18 closings of Plan 6 with actual sales prices ranging from \$238.47 to \$312.96 per square foot. There are currently ten escrows of Plan 6 with actual sales prices ranging from \$250.69 to \$411.77. It should be noted that most homebuyers purchase some upgrades, premiums and options which increase the sales price. Our concluded price is based on the base price of the home with no upgrades, premiums or options considered. All homes appear to be in excellent condition with no depreciation visible. In addition, we have reviewed re-sale home prices within all of Del Webb at Rancho Mirage including both the first phase (CFD No. 4A) and the second phase (CFD No. 4B). Our search revealed one re-sale of Plan 6 within CFD No. 4A and no re-sales of Plan 6 within CFD No. 4B with a closing price of \$283.37 per square foot. It has been concluded that Plan 6 has a base current market value of \$240.00 per square foot. This calculates as follows:

$$2,008 \text{ sf} \times \$240.00 = \$481,920$$

The most appropriate new home comparable data for Plan 7 are shown below.

Data	Plan	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	7	3 / 2	1 / 2	2,187	--
1	6	3 / 2	1 / 2	2,008	\$248.50
1	8	3 / 2	1 / 2	2,329	\$251.61
2	F-5	2 / 2.5	1 / 2	2,039	\$216.28
2	F-6	3 / 2.5	1 / 2	2,141	\$212.05
3	5	2 / 2.5	1 / 2	2,166	\$161.12
4	1	3 / 2	1 / 2	2,274	\$272.60
5	3	3 / 2.5	1 / 2	1,950	\$250.72
6	1	3 / 2.5	1 / 2	2,302	\$228.06
8	1	3 / 2.5	1 / 2	2,209	\$302.85

Data No. 1 refers to the most similar plans within the subject project. Data Nos. 2 and 3 are age restricted communities while Data Nos. 4, 5, 6 and 8 are non-age restricted communities. Data No. 8 includes either a private pool or spa in the price of the home. All houses appear to be of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, HOA amount, lot size, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities associated with each neighborhood. The comparable new home base prices range from \$161.12 to \$302.85 per square foot with the highest price per square foot including a private pool or spa. The lowest price per square foot refers to the age qualified neighborhood north of I-10 in an inferior location. The asking base price for the subject Plan 7 is currently \$237.76 per square foot. Within CFD No. 4B there have been 22 closings of Plan 7 with actual sales prices ranging from \$231.36 to \$319.96 per square foot. There are currently six escrows of Plan 7 with actual sales prices ranging from \$277.84 to \$322.62. It should be noted that most homebuyers purchase some upgrades, premiums and options which increase the sales price. Our concluded price is based on the base price of the home with no upgrades, premiums or options considered. All homes appear to be in excellent condition with no depreciation visible. In addition, we have reviewed re-sale home prices within all of Del Webb at Rancho Mirage including both the first phase (CFD No. 4A) and the second phase (CFD No. 4B). Our search revealed three re-sales of Plan 7 within CFD No. 4A and no re-sales of Plan 7 within CFD No. 4B with a closing price range of \$255.60 to \$323.28 per square foot. It has been concluded that Plan 7 has a base current market value of \$235.00 per square foot. This calculates as follows:

$$2,187 \text{ sf} \times \$235.00 = \$513,945$$

The most appropriate new home comparable data for Plan 8 are shown below.

<b>Data</b>	<b>Plan</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	8	3 / 2	1 / 2	2,329	--
1	7	3 / 2	1 / 2	2,187	\$237.76
1	9	3 / 2.5	1 / 2	2,504	\$244.01
2	F-6	3 / 2.5	1 / 2	2,141	\$212.05
2	F-7	3 / 3	1 / 2	2,367	\$200.67
3	6	2 / 2.5	1 / 2	2,283	\$170.63
3	9	2 / 2.5	1 / 2	2,411	\$164.21
4	1	3 / 2	1 / 2	2,274	\$272.60
4	3	3 / 2.5	1 / 2	2,497	\$256.27
6	1	3 / 2.5	1 / 2	2,302	\$228.06
6	2	4 / 3.5	1 / 2	2,467	\$222.26
8	3	3 / 2.5	1 / 2	2,248	\$333.18

Data No. 1 refers to the most similar plans within the subject project. Data Nos. 2 and 3 are age restricted communities while Data Nos. 4, 5, 6 and 8 are non-age restricted communities. Data No. 8 includes either a private pool or spa in the price of the home. All houses appear to be of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, HOA amount, lot size, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities associated with each neighborhood. The comparable new home base prices range from \$164.21 to \$333.18 per square foot with the highest price per square foot including a private pool or spa. The lowest price per square foot refers to the age qualified neighborhood north of I-10 in an inferior location. The asking base price for the subject Plan 8 is currently \$251.61 per square foot. Within CFD No. 4B there have been 12 closings of Plan 8 with actual sales prices ranging from \$233.17 to \$395.06 per square foot. There are currently seven escrows of Plan 8 with actual sales prices ranging from \$282.49 to \$356.01 per square foot. It should be noted that most homebuyers purchase some upgrades, premiums and options which increase the sales price. Our concluded price is based on the base price of the home with no upgrades, premiums or options considered. All homes appear to be in excellent condition with no depreciation visible. In addition, we have reviewed re-sale home prices within all of Del Webb at Rancho Mirage including both

the first phase (CFD No. 4A) and the second phase (CFD No. 4B). Our search revealed four re-sales of Plan 8 within CFD No. 4A and no re-sales of Plan 8 within CFD No. 4B with a closing price range of \$267.53 to \$320.50 per square foot. It has been concluded that Plan 8 has a base current market value of \$245.00 per square foot. This calculates as follows:

$$2,329 \text{ sf} \times \$245.00 = \$570,605$$

The most appropriate new home comparable data for Plan 9 are shown below.

<b>Data</b>	<b>Plan</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	9	3 / 2.5	1 / 2	2,504	--
1	8	3 / 2	1 / 2	2,329	\$251.61
1	10	3 / 2.5	1 / 2	2,726	\$233.67
2	F-7	3 / 3	1 / 2	2,367	\$200.67
3	10	2 / 2.5	1 / 2	2,519	\$171.57
4	3	3 / 2.5	1 / 2	2,497	\$256.27
6	2	4 / 3.5	1 / 2	2,467	\$222.26
6	3	4 / 3.5	1 / 2	2,497	\$222.26
8	3	3 / 2.5	1 / 2	2,248	\$333.18

Data No. 1 refers to the most similar plans within the subject project. Data Nos. 2 and 3 are age restricted communities while Data Nos. 4, 5, 6 and 8 are non-age restricted communities. Data No. 8 includes either a private pool or spa in the price of the home. All houses appear to be of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, HOA amount, lot size, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities associated with each neighborhood. The comparable new home base prices range from \$171.57 to \$333.18 per square foot with the highest price per square foot including a private pool or spa. The lowest price per square foot refers to the age qualified neighborhood north of I-10 in an inferior location. The asking base price for the subject Plan 9 is currently \$244.01 per square foot. Within CFD No. 4B there have been 14 closings of Plan 9 with actual sales prices ranging from \$249.10 to \$379.70 per square foot. There are currently seven escrows of Plan 9 with actual sales prices ranging from \$280.56 to \$355.17 per square foot. It should be noted that most homebuyers purchase

some upgrades, premiums and options which increase the sales price. Our concluded price is based on the base price of the home with no upgrades, premiums or options considered. All homes appear to be in excellent condition with no depreciation visible. In addition, we have reviewed re-sale home prices within all of Del Webb at Rancho Mirage including both the first phase (CFD No. 4A) and the second phase (CFD No. 4B). Our search revealed three re-sales of Plan 9 within CFD No. 4A and no re-sales of Plan 9 within CFD No. 4B with a closing price range of \$289.54 to \$369.41 per square foot. It has been concluded that Plan 9 has a base current market value of \$240.00 per square foot. This calculates as follows:

$$2,504 \text{ sf} \times \$240.00 = \$600,960$$

The most appropriate new home comparable data for Plan 10 are shown below.

<b>Data</b>	<b>Plan</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	10	3 / 2.5	1 / 2	2,726	--
1	9	3 / 2.5	1 / 2	2,504	\$244.01
2	F-7	3 / 3	1 / 2	2,367	\$200.67
3	10	2 / 2.5	1 / 2	2,519	\$171.57
4	3	3 / 2.5	1 / 2	2,497	\$256.27
6	2	4 / 3.5	1 / 2	2,467	\$222.26
6	3	4 / 3.5	1 / 2	2,497	\$222.26
8	3	3 / 2.5	1 / 2	2,248	\$333.18
8	4	3 / 3.5	2 / 2	2,809	\$312.92

Data No. 1 refers to the most similar plan within the subject project. Data Nos. 2 and 3 are age restricted communities while Data Nos. 4, 5, 6 and 8 are non-age restricted communities. Data No. 8 includes either a private pool or spa in the price of the home. All houses appear to be of similar quality, design and appeal. The subject is the largest sized single-story home currently for sale in all of the comparables. Adjustments were considered (when applicable) for location, stories, master plan amenities, HOA amount, lot size, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities associated with each neighborhood. The comparable new home base prices range from \$171.57 to \$333.18 per square foot with the highest price per square foot including a private pool or spa. The lowest price per square foot refers to the

age qualified neighborhood north of I-10 in an inferior location. The asking base price for the subject Plan 10 is currently \$233.67 per square foot. Within CFD No. 4B there have been 13 closings of Plan 10 with actual sales prices ranging from \$234.65 to \$367.88 per square foot. There are currently nine escrows of Plan 10 with actual sales prices ranging from \$264.25 to \$363.52 per square foot. It should be noted that most homebuyers purchase some upgrades, premiums and options which increase the sales price. Our concluded price is based on the base price of the home with no upgrades, premiums or options considered. All homes appear to be in excellent condition with no depreciation visible. In addition, we have reviewed re-sale home prices within all of Del Webb at Rancho Mirage including both the first phase (CFD No. 4A) and the second phase (CFD No. 4B). Our search revealed no re-sales of Plan 10 within either CFD No. 4A or CFD No. 4B. It has been concluded that Plan 10 has a base current market value of \$230.00 per square foot. This calculates as follows:

$$2,726 \text{ sf} \times \$230.00 = \$626,980$$

Builder Owned Retail Value

Within the builder-owned property there are 23 production homes over 95 percent complete, all which are in escrow and due to close upon completion. The model homes are located off site within Phase I and are not a part of this appraisal. The retail base value conclusions for the builder-owned homes are calculated as follows:

Plan 1 (2 x \$388,260)	\$ 776,520
Plan 2 (2 x \$412,250)	824,500
Plan 3 (1 x \$436,232)	436,232
Plan 4 (1 x \$448,840)	448,840
Plan 5 (4 x \$455,210)	1,820,840
Plan 6 (3 x \$481,920)	1,445,760
Plan 7 (3 x \$513,945)	1,541,835
Plan 8 (2 x \$570,605)	1,141,210
Plan 9 (3 x \$600,960)	1,802,880
Plan 10 (2 x \$626,980)	<u>1,253,960</u>
Total Retail Value	<u>\$ 11,492,577</u>

### Absorption Period

In order to arrive at an absorption period for the builder owned homes within Del Webb at Rancho Mirage, the absorption rates for the subject project along with comparable projects have been reviewed. The average monthly sales rate in the subject project has been over 18 sales per month which is exceptional. This is much higher than the competing projects which have absorption rates from a low of 1.1 sales per month to 6.8 sales per month. The lowest end of the absorption range is for a smaller project that got shut down on construction due to COVID. They didn't release new homes for over eight months. All 23 of the builder-owned homes have been released and all are in escrow and anticipated to close upon completion. We have concluded that the 23, builder-owned homes will be absorbed over a two-month time period at the concluded prices.

### Remaining Costs

As discussed under the property description section, there are \$4,930.07 per lot in remaining hard costs or \$113,392 in remaining hard costs associated with the 23 builder owned homes. For purposes of this analysis, we are assuming that the remaining costs will be spent evenly over the absorption period which is estimated at two months.

### 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 the subject neighborhood's analyses.

### Profit

Several interviews with merchant builders in the area were conducted in order to determine an appropriate profit percentage for the subject property. In the early 2000s, developers typically attempted to achieve a 10 to 12 percent profit based on gross sales

proceeds. During the Great Recession, this range was lowered considerably to six to eight percent with some builders drastically lowering their profit margins 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 the subject neighborhood.

### Discount Rate

In selecting a discount rate, the following was completed:

1. Interviews with merchant builders in the Riverside County market 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
4. Discussed the project with equity investors and master plan community developers

The sales rate of homes within Del Webb at Rancho Mirage has been exceptional with an average of over 18 homes sold per month since the project opened in June, 2018. Based on the above factors, an eight percent discount rate is considered appropriate for the subject neighborhoods.

### Discounted Cash Flow Summary

The discounted revenue (see DCF Analysis in Addenda) for the builder owned homes resulted in the value of \$9,218,237.

### Pulte Homes Ownership Final Valuation

Pulte Homes owns 23 production homes over 95 percent complete (all in escrow), 59 houses under construction (55 in escrow) and 61 generally physically finished lots. The homes under construction (under 95 percent complete) have been valued on the basis of a finished lot rather than give value to a partially completed improvement, therefore, 120 lots were valued. The final value conclusion for the Pulte Homes owned property is shown below.

120 lots owned by Pulte Homes	\$20,862,743
23 Pulte-Owned Houses	<u>\$ 9,218,237</u>
Total Pulte Homes Ownership Valuation	<b><u>\$30,080,980</u></b>

### **Individual Owners Value Conclusion**

In determining the value for the individually owned homes, we have considered the concluded base price value for the homes which is considered a minimum market value. This is due to homebuyers typically purchasing some upgrades and options or paying premiums for the lot and in some cases views. Within Del Webb at Rancho Mirage there are 146 individually owned homes. The concluded values are shown below:

Plan 1 (15 x \$388,260)	\$ 5,823,900
Plan 2 (15 x \$412,250)	6,183,750
Plan 3 (11 x \$436,232)	4,798,552
Plan 4 (26 x \$448,840)	11,669,840
Plan 5 (18 x \$455,210)	8,193,780
Plan 6 (18 x \$481,920)	8,674,560
Plan 7 (22 x \$513,945)	11,306,790
Plan 8 (12 x \$570,605)	6,847,260
Plan 9 (14 x \$600,960)	8,413,440
Plan 10 (13 x \$626,980)	<u>8,150,740</u>
Total Individual Owned Value	<b><u>\$80,062,612</u></b>

In an additional analysis, we have reviewed the actual builder sales prices for the 164 home closings within Del Webb at Rancho Mirage. Closings occurred within the subject property (CFD No. 4B) between December 2019 and February 10, 2021. The builder reported closing prices for the 164 individually owned homes totals \$94,030,513. The actual sales prices include any upgrades, premiums or options purchased by the homeowner while our concluded value is for the base value of the homes. The concluded individually owned minimum market value is over 15 percent below the actual sales prices. This difference is due to the options and upgrades that are purchased in an age qualified new home. They are typically larger than non-age qualified homes as the homebuyers are usually moving with equity from a previous home and are planning on staying in the home for a long time, thus want more executive-type upgrades or are using discretionary income for a second home. The upgrades, premiums and options on the 164 individually-owned homes have averaged over \$100,000 per house which equates to 15 – 24 percent depending on the plan. However, a portion of this difference has been offset by the increasing prices within the project. In reviewing the base pricing as of mid-

2019 compared to the base pricing as of early 2021, base pricing had increased from six to 14 percent depending on the plan. Taking into consideration the above information, the actual sales prices further substantiate the concluded minimum market values for the individually owned homes.

## **APPRAISAL REPORT SUMMARY**

The appraisal assignment was to value the subject property within CFD No. 4B which includes the second phase of Del Webb at Rancho Mirage, a 55+ age qualified master planned community located in the City of Rancho Mirage in the Coachella Valley in Riverside County. The master developer is Pulte, a related entity to Del Webb. The entire community is planned for 1,029 homes. The first phase of the community included 344 homes and with the exception of the model complex and final build-out, is closed out. The subject of this appraisal is the second phase of development consisting of 307 proposed homes. Out of the total 307 proposed homes, 164 are completed and have closed escrow to individual homebuyers and an additional 116 proposed homes are sold and due to close upon completion. The lots range from completed houses to houses under construction to finished lots.

The subject property was valued utilizing the Sales Comparison Approach to value and a Mass Appraisal Technique. In the case of multiple builder-owned properties, a Discounted Cash Flow was also utilized in the valuation process. The valuation took into consideration the improvements/benefits to be funded by Special Tax CFD No. 4B Bond Proceeds along with the CFD No. 4B special tax lien. The concluded aggregate value for the subject property, subject to their respective special tax lien, is:

### **CFD No. 4B - (Portion of) Del Webb at Rancho Mirage**

Pulte Owned (23 Houses)	\$ 9,218,237
Pulte Owned (161 Lots)	\$ 20,862,743
Individual Owners (164 Houses)	<u>\$ 80,062,612</u>
<b>Aggregate Total for CFD No. 4B</b>	<b><u>\$ 110,143,592</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.
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**

**CFD NO. 4B BOUNDARY MAP**

**PROPOSED BOUNDARY OF CITY OF RANCHO MIRAGE COMMUNITY FACILITIES DISTRICT NO. 4B,  
(DEL WEBB PROJECT)  
COUNTY OF RIVERSIDE  
STATE OF CALIFORNIA**

**RECORDER'S STATEMENT**

FILED THIS 19<sup>th</sup> DAY OF August, 2019  
 AT THE HOUR OF 12:55 O'CLOCK P.M.  
 IN BOOK 84 OF MAPS OF ASSESSMENT AND  
 COMMUNITY FACILITIES DISTRICTS AT PAGES 103  
 IN THE OFFICE OF THE COUNTY RECORDER IN THE COUNTY  
 OF RIVERSIDE, STATE OF CALIFORNIA, AT THE REQUEST OF  
 THE CITY OF RANCHO MIRAGE.  
 NO. 2019-049445  
 REC. 11  
 PETER ALDAMA, ASSESSOR-COUNTY CLERK-RECORDER  
 BY: [Signature] DEPUTY

**LEGAL DESCRIPTION**

THE BOUNDARY OF THE PROPOSED CITY OF RANCHO MIRAGE COMMUNITY FACILITIES DISTRICT NO. 4B (DEL WEBB PROJECT), CONGIDES WITH THE BOUNDARY OF TRACT MAP NO. 38808-3 AND TRACT MAP NO. 38808-4 IN THE CITY OF RANCHO MIRAGE OF THE COUNTY OF RIVERSIDE, CALIFORNIA, LOCATED IN A PORTION OF SECTION 24, TOWNSHIP 4 SOUTH, RANGE 5 EAST, S.B.M.

**CITY CLERK'S STATEMENT**

FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF RANCHO MIRAGE THIS 22nd DAY OF July, 2019  
[Signature]  
 KRISTE RAMOS, RANCHO MIRAGE CITY CLERK

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING THE PROPOSED BOUNDARY OF CITY OF RANCHO MIRAGE COMMUNITY FACILITIES DISTRICT NO. 4B (DEL WEBB PROJECT) COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF RANCHO MIRAGE, AT A REGULAR MEETING THEREOF, HELD ON THE 16th DAY OF July, 2019, BY ITS RESOLUTION NO. 8469A-4B

[Signature]  
 KRISTE RAMOS, RANCHO MIRAGE CITY CLERK



CHARLES R. HARRIS P.L.S. 4885

**LEGEND**

— BOUNDARY OF CITY OF RANCHO MIRAGE COMMUNITY FACILITIES DISTRICT NO. 4B (DEL WEBB PROJECT)

**OWNER:**  
 PULTE HOME COMPANY, L.L.C.,  
 A MICHIGAN LIMITED LIABILITY COMPANY  
 APN: PORTION OF 673-120-047

TOTAL AREA: 87.526 ACRES



SEE SHEET 2 FOR TABLES, DETAILS AND BOUNDARY DIMENSIONS

**PROPOSED BOUNDARY MAP**

CITY OF RANCHO MIRAGE COMMUNITY FACILITIES DISTRICT NO. 4B (DEL WEBB PROJECT), COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

TRACT MAP NO. 38808-3 AND 38808-4

RS 89/48-53

LOS ALAMOS ROAD

PAR. MAP NO. 23266  
 PND 154/37-42

28 29

RS 89/48-53

DINAH SHORE DRIVE

PAR. MAP NO. 19905

24 25



**VICINITY MAP**



**TRACT MAP NOS. 36809-3 and 36809-4**

IN THE CITY OF RANCHO MIRAGE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

# TRACT MAP NO. 36809-3

BEING A PORTION OF SECTION 24, TOWNSHIP 4 SOUTH, RANGE 5 EAST, S.B.M.

**MSA CONSULTING, INC.**

JULY - 2018

### SURVEYOR'S NOTES

THE BASIS OF BEARINGS FOR THIS MAP IS THE SOUTHERLY LINE OF SECTION 24, TOWNSHIP 4 SOUTH, RANGE 5 EAST, S.B.M., AS SHOWN ON TRACT MAP NO. 36809-1, ON FILE IN BOOK 458, AT PAGES 26 THROUGH 36, OF MAPS.

TAKEN AS: N 89°42'00" E

● INDICATES FOUND MONUMENT AS NOTED

△ INDICATES SET 1-1/4" METAL DISK (COPPERWELD) STAMPED "P.L.S. 4989", FLUSH, IN A.C. PAVT (RANCHO MIRAGE STD. TYPE "B" MON.), UNLESS NOTED OTHERWISE

(-) INDICATES RECORD DATA PER TRACT MAP NO. 36809-1, M.B. 458/26-36

⊕ INDICATES CENTERLINE

R/W INDICATES RIGHT-OF-WAY

(R) INDICATES RADIAL BEARING

PUE INDICATES PUBLIC UTILITY EASEMENT FOR PUBLIC UTILITY PURPOSES

SET NAIL AND METAL DISK (RANCHO MIRAGE TYPE "E") IN CURB ON THE PROLONGATION OF ALL SIDE LINES, STAMPED "P.L.S. 4989", IN LIEU OF THE FRONT LOT CORNERS.

SET 1" I.P. WITH METAL DISK (RANCHO MIRAGE TYPE "D") STAMPED "P.L.S. 4989", SET NAIL AND METAL DISK (RANCHO MIRAGE TYPE "E") IN CONC. FOOTING STAMPED "P.L.S. 4989" OR NAIL AND TAG IN FENCING MATERIAL, TAGGED "P.L.S. 4989", AS APPROPRIATE, AT REAR LOT CORNERS, B.C.'S, E.C.'S AND ANGLE POINTS, UNLESS OTHERWISE NOTED.

**TOTAL GROSS AREA = 28.807 ACRES**  
**RESIDENTIAL/NUMBERED LOTS = 108 LOTS**  
**LETTERED PRIVATE STREET LOTS = 6 LOTS**  
**OPEN SPACE LOTS = 5 LOTS**

### MONUMENT NOTES

- [A] FD. C.W. MON. STAMPED "PCE 23258, 13-14-23-24", FLUSH, PER RS 141/25, ACCEPTED AS THE NW COR. OF SEC. 24.
- [B] FD. 1" I.P. W/METAL DISK, "P.C.E. 23258", FLUSH, PER RS 141/25, ACCEPTED AS THE W 1/4 COR. OF SEC. 24; RESET COPPERWELD STAMPED "P.L.S. 4989", FLUSH, AFTER STREET CONSTRUCTION.
- [C] FD. C.W. MON. STAMPED "LS 4148", FLUSH, PER RS 141/25, ACCEPTED AS THE SW COR. OF SEC. 24; RESET COPPERWELD STAMPED "P.L.S. 4989", FLUSH, AFTER STREET CONSTRUCTION.
- [D] FD. 3-1/4 BR. CAP. STAMPED "BLM 524-25", DN. 0.2", PER RS 141/25, ACCEPTED AS THE S 1/4 COR. OF SEC. 24.
- [E] FD. C.W. MON. STAMPED "PCE 30846", FLUSH, PER RS 141/25, ACCEPTED AS THE SE COR. OF SEC. 24.
- [F] FD. 1" I.P. W/METAL DISK, "P.L.S. 4989", FLUSH, PER RS 141/25, ACCEPTED AS THE NORTHEAST COR. OF SE 1/4 OF SE 1/4 OF SEC. 24.
- [G] FD. 3-1/4 BR. CAP. STAMPED "BLM 516-24", DN. 0.3", PER RS 141/25, ACCEPTED AS THE E 1/4 COR. OF SEC. 24.

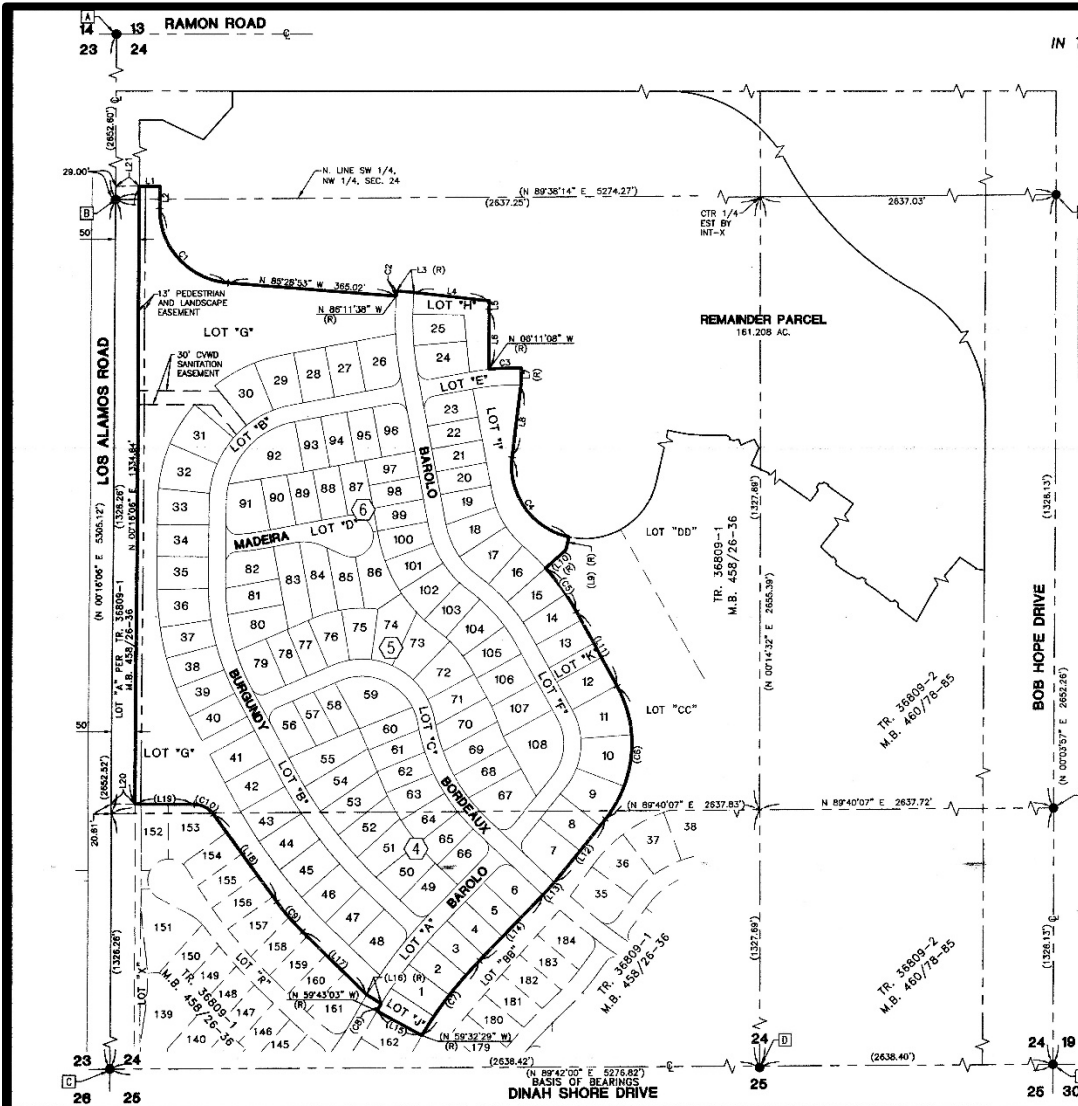
CURVE DATA			
NO.	DELTA	RADIUS	LENGTH
C1	85°44'59"	160.00'	239.40'
C2	09°53'50"	721.00'	11.32'
C3	09°03'47"	493.50'	69.92'
C4	84°11'53"	157.50'	231.45'
(C5)	13°01'59"	508.50'	115.67'
(C6)	67°25'54"	298.00'	308.21'
(C7)	13°20'17"	874.00'	203.48'
(C8)	07°03'53"	984.00'	18.28'
(C9)	09°46'37"	500.00'	85.78'
(C10)	53°50'36"	50.00'	46.99'

LINE DATA		
NO.	BEARING	LENGTH
L1	N 89°43'54" W	43.00'
L2	N 00°16'08" E	48.28'
L3	N 80°17'40" W	37.00'
L4	N 83°29'48" W	163.29'
L5	N 00°29'07" E	17.89'
L6	N 00°07'25" E	128.53'
L7	N 01°49'59" E	37.00'
L8	N 06°49'14" E	157.39'
(L9)	N 12°37'21" E	28.88'
(L10)	N 48°26'56" E	58.38'
(L11)	N 28°21'08" W	183.35'
(L12)	N 38°47'48" E	176.87'
(L13)	N 42°11'11" E	137.00'
(L14)	N 43°47'48" E	198.55'
(L15)	N 61°06'59" W	110.04'
(L16)	N 58°30'10" W	37.00'
(L17)	N 45°42'48" W	185.02'
(L18)	N 35°23'59" W	233.88'
(L19)	N 89°43'42" W	128.30'
(L20)	N 89°43'54" W	50.00'
(L21)	N 89°43'54" W	50.00'



SEE SHEET 2 FOR EASEMENT NOTES  
 SEE SHEETS 4 THROUGH 7 FOR  
 DETAILED LOT DIMENSIONS

⊕ INDICATES SHEET NUMBER J.N. 2031



IN THE CITY OF RANCHO MIRAGE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

# TRACT MAP NO. 36809-4

A SUBDIVISION OF A PORTION OF THE REMAINDER PARCEL OF TRACT MAP 36809-3, ON FILE IN BOOK 466, AT PAGES 54 THROUGH 60, INCLUSIVE, OF MAPS, RECORDS OF SAID COUNTY, LOCATED IN SECTION 24, TOWNSHIP 4 SOUTH, RANGE 5 EAST, SAN BERNARDINO MERIDIAN



MSA CONSULTING, INC.

SEPTEMBER - 2018

SHEET 3 OF 12 SHEETS

### SURVEYOR'S NOTES

THE BASIS OF BEARINGS FOR THIS MAP IS THE WESTERLY LINE OF SECTION 24, TOWNSHIP 4 SOUTH, RANGE 5 EAST, S.B.M., AS SHOWN ON TRACT MAP NO. 36809-1, ON FILE IN BOOK 458, AT PAGES 26 THROUGH 36, OF MAPS.

TAKEN AS: N 00°16'06" E

- INDICATES FOUND MONUMENT AS NOTED
- △ INDICATES SET 1-1/4" METAL DISK (COPPERWELD) STAMPED "P.L.S. 4989", FLUSH, IN A.C. PAVT (RANCHO MIRAGE, STD. TYPE "B" MON.), UNLESS NOTED OTHERWISE

(-) INDICATES RECORD DATA PER TRACT MAP NO. 36809-1, M.B. 458/26-36

[ - ] INDICATES RECORD DATA PER TRACT MAP NO. 36809-3, M.B. 466/54-60

⊙ INDICATES CENTERLINE

R/W INDICATES RIGHT-OF-WAY

(R) INDICATES RADIAL BEARING

PUE INDICATES PUBLIC UTILITY EASEMENT FOR PUBLIC UTILITY PURPOSES

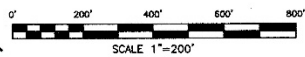
SET NAIL AND METAL DISK (RANCHO MIRAGE TYPE "E") IN CURB ON THE PROLONGATION OF ALL SIDE LINES, STAMPED "P.L.S. 4989", IN LIEU OF THE FRONT LOT CORNERS.

SET 1" I.P. WITH METAL DISK (RANCHO MIRAGE TYPE "D") STAMPED "P.L.S. 4989", SET NAIL AND METAL DISK (RANCHO MIRAGE TYPE "E") IN CONC. FOOTING STAMPED "P.L.S. 4989" OR NAIL AND TAG IN FENCING MATERIAL, TAGGED "P.L.S. 4989", AS APPROPRIATE, AT REAR LOT CORNERS, B.C.'S, E.C.'S AND ANGLE POINTS, UNLESS OTHERWISE NOTED.

TOTAL GROSS AREA = 58.719 ACRES  
RESIDENTIAL/HNUMBERED LOTS = 189 LOTS  
LETTERED PRIVATE STREET LOTS = 16 LOTS  
OPEN SPACE LOTS = 18 LOTS

### MONUMENT NOTES

- [A] FD. C.W. MON. STAMPED "RCE 23256, 13-14-23-24", FLUSH, PER RS 141/25, ACCEPTED AS THE NW COR. OF SEC. 24.
- [B] FD. 1" I.P. W/METAL DISK, "R.C.E. 23286", FLUSH, PER RS 141/25, ACCEPTED AS THE W 1/4 COR. OF SEC. 24. RESET COPPERWELD STAMPED "P.L.S. 4989", FLUSH, AFTER STREET CONSTRUCTION.
- [C] FD. C.W. MON. STAMPED "LS 4146", FLUSH, PER RS 141/25, ACCEPTED AS THE SW COR. OF SEC. 24. RESET COPPERWELD STAMPED "P.L.S. 4989", FLUSH, AFTER STREET CONSTRUCTION.
- [D] FD. 3-1/4 BR. CAP. STAMPED "BLM 524-25", DN. 0.2", PER RS 141/25, ACCEPTED AS THE S 1/4 COR. OF SEC. 24.



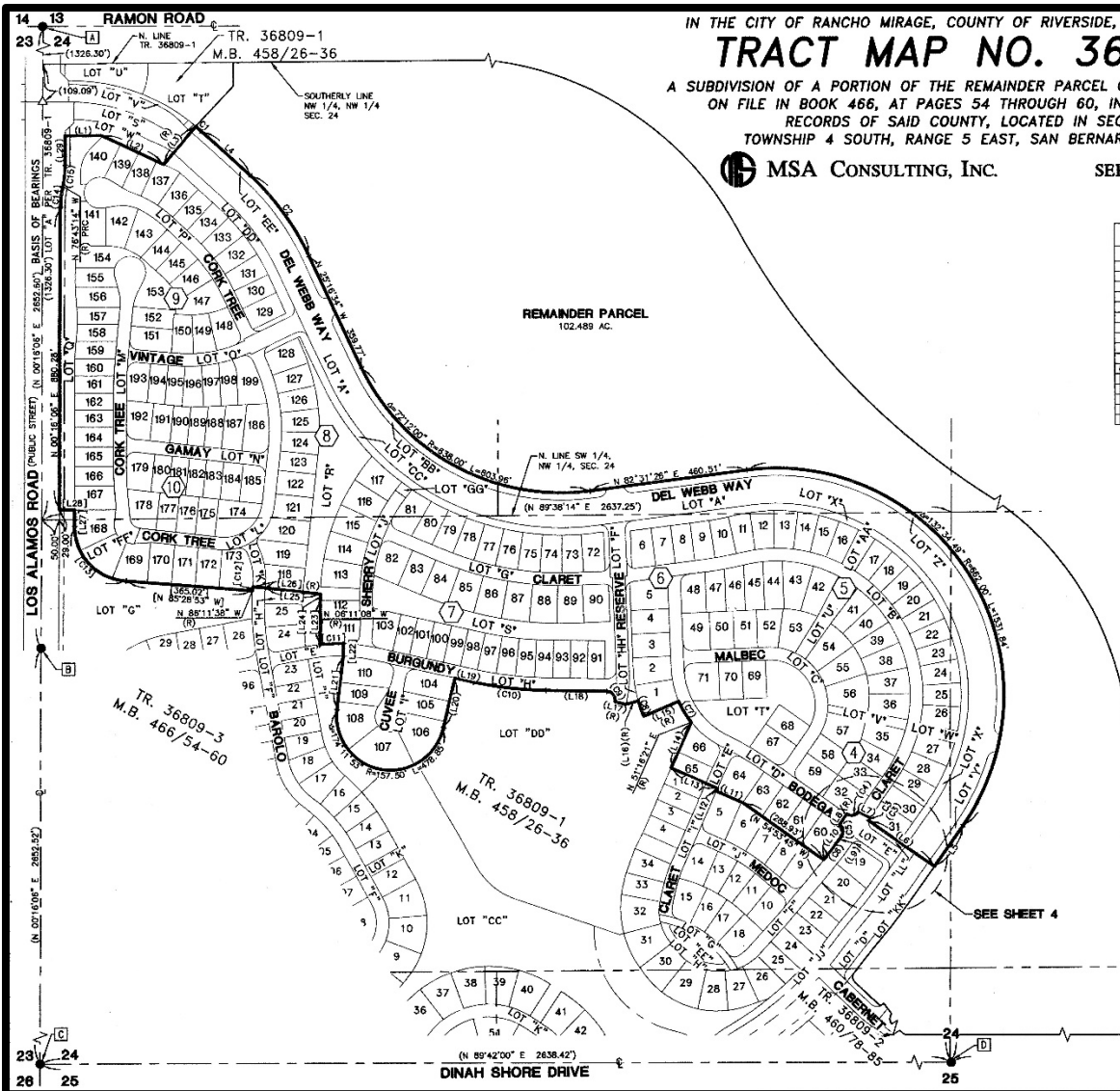
SEE SHEET 2 FOR EASEMENT NOTES  
SEE SHEETS 4 THROUGH 12 FOR  
DETAILED LOT DIMENSIONS

# INDICATES SHEET NUMBER

J.N. 203

CURVE DATA			
NO.	DELTA	RADIUS	LENGTH
C1	02°15'06"	582.00'	21.09'
C2	22°01'57"	752.00'	283.02'
C3	24°09'22"	24.50'	10.30'
(C3)	24°09'22"	24.50'	10.30'
(C4)	97°00'00"	24.50'	38.48'
(C5)	97°00'00"	24.50'	38.48'
(C6)	04°44'14"	481.50'	39.81'
(C7)	15°22'23"	258.00'	71.37'
(C8)	07°18'22"	378.00'	47.73'
(C9)	103°07'40"	24.50'	44.10'
(C10)	11°45'12"	1021.00'	209.44'
(C11)	06°00'47"	493.50'	89.02'
(C12)	06°53'58"	721.00'	111.32'
(C13)	85°44'59"	150.00'	239.48'
(C14)	13°00'40"	272.64'	61.91'
(C15)	13°00'40"	272.64'	61.91'

LINE DATA		
NO.	BEARING	LENGTH
(L1)	N 89°43'54" W	103.05'
(L2)	N 64°29'30" W	195.28'
(L3)	N 42°28'23" E	145.76'
L4	N 47°18'31" W	180.25'
L5	N 30°06'35" E	144.82'
(L6)	N 54°53'45" W	231.87'
(L7)	N 64°06'23" W	37.48'
(L8)	N 35°06'15" E	37.00'
(L9)	N 35°06'15" E	38.44'
(L10)	N 38°50'28" E	18.20'
(L11)	N 86°06'49" W	84.18'
(L12)	N 23°53'11" E	6.08'
(L13)	N 66°08'49" W	147.00'
(L14)	N 23°53'11" E	140.55'
(L15)	N 66°39'44" E	110.00'
(L16)	N 73°55'06" E	37.17'
(L17)	N 76°00'11" W	33.00'
(L18)	N 89°07'51" W	177.11'
(L19)	N 77°22'39" W	56.57'
(L20)	N 12°37'21" E	148.74'
(L21)	N 05°49'14" E	157.39'
(L22)	N 01°49'39" E	37.00'
(L23)	N 00°07'26" E	128.53'
(L24)	N 05°39'07" E	17.98'
(L25)	N 87°29'46" W	163.29'
(L26)	N 85°17'40" W	37.00'
(L27)	N 07°16'06" E	48.00'
(L28)	N 89°43'54" W	43.00'
(L29)	N 00°16'06" E	86.70'



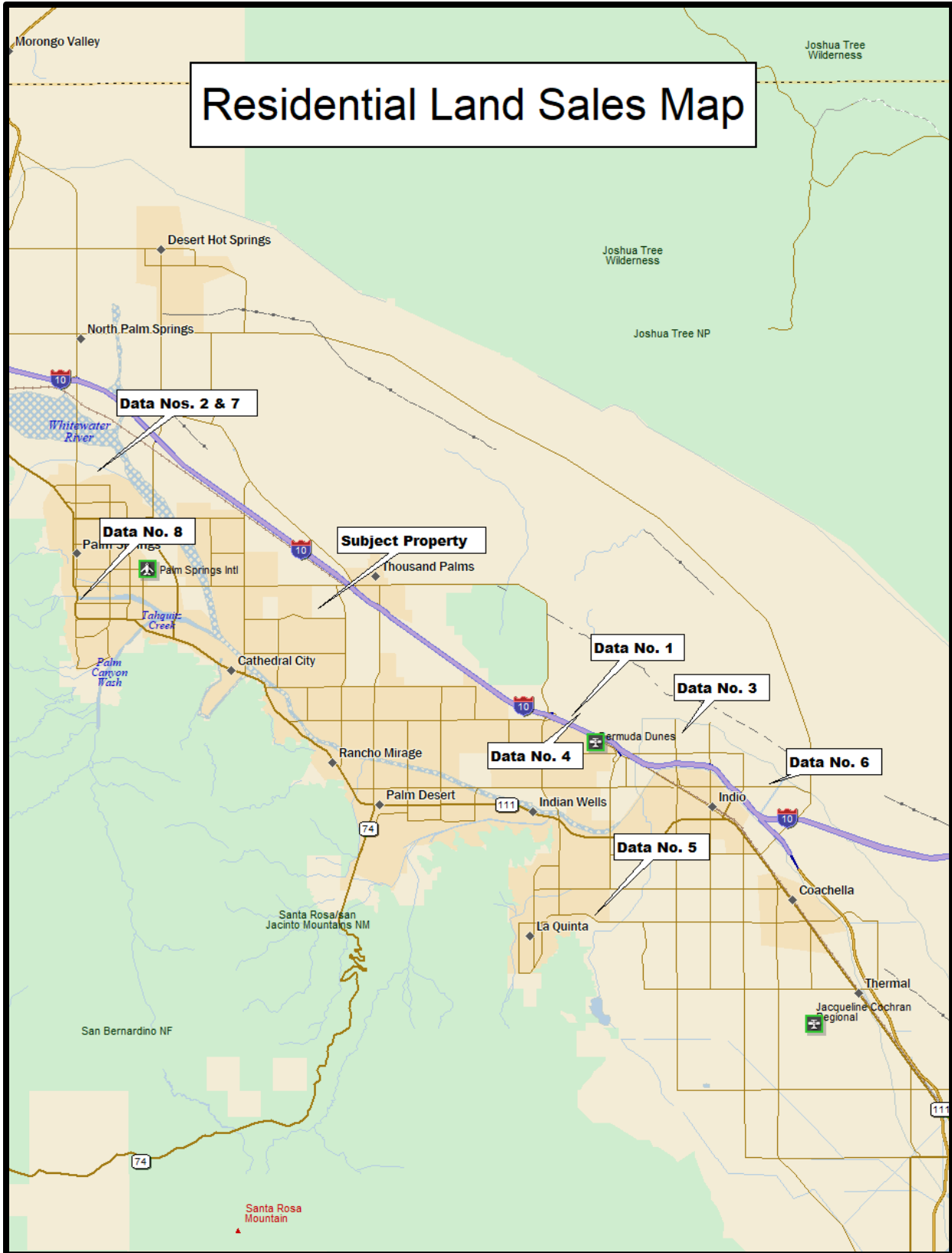
# **DISCOUNTED CASH FLOW ANALYSIS**

**Del Webb at Rancho Mirage Discounted Cash Flow Analysis**

MONTH	Months	<u>MONTH 1</u>	<u>MONTH 2</u>	<u>TOTAL</u>
	2			
<b>INCOME:</b>				
Retail Sales	11,492,577	\$5,746,289	\$5,746,289	\$11,492,577
<b>TOTAL INCOME</b>		<u>\$5,746,289</u>	<u>\$5,746,289</u>	<u>\$11,492,577</u>
<b>EXPENSES:</b>				
Remaining Costs		(\$56,696)	(\$56,696)	(\$113,392)
Marketing & Carrying Expenses	8%	(\$459,703)	(\$459,703)	(\$919,406)
Profit	10%	(\$574,629)	(\$574,629)	(\$1,149,258)
<b>TOTAL EXPENSES</b>		(\$1,091,028)	(\$1,091,028)	(\$2,182,056)
<b>NET CASH FLOW</b>		\$4,655,261	\$4,655,261	\$9,310,521
Discount Factor	8%	<u>0.9934</u>	<u>0.9868</u>	
<b>DISCOUNTED CASH FLOW</b>		\$4,624,431	\$4,593,806	\$9,218,237
<b>CUMULATIVE DISCOUNTED CASH FLOW</b>		<u>\$4,624,431</u>	<u>\$9,218,237</u>	<u>\$9,218,237</u>

**RESIDENTIAL LAND SALES MAP**  
**& SUMMARY CHART**

# Residential Land Sales Map



## LAND SALES SUMMARY CHART

Data No.	Location / APN / Buyer / Seller	Sales Date	# Lots / Acres	Lot Size / Density	Sales Price / Price per Lot	Est. Finished Lot Price	Comments
1	Domani, north of Ave. 40 and west of Adams Street, Palm Desert / 748-45; 748-46 various / Pulte / Encore Homes	Cur. Esc.	132	4,500	Conf.	Conf.	Pulte Homes is advertising Renata at Domoni "coming soon". This site is adjacent to an earlier Del Webb project. It was originally marketed by Rilmington Homes.
2	Gallery at Miralon, Palladium Boulevard, Palm Springs / 669-760 and 669-790 various / Gallery Miralon LLC / Avalon 1150 LLC;	1/13/21	9 (50 total)	6,300	\$1,458,000 / \$162,000	\$195,000	Lots within the master planned community of Miralon in Palm Springs. Purchased in a nearly finished condition with recorded maps. This is the first take-down of 9 lots out of 50.
3	Paradiso, Northeast of Monroe St and Avenue 41, Indio / 692-070 various; 692-080 various and 692-010-014 (not subdivided yet) / Lennar / Paradiso 177 Indio LLC	12/08/20	139	7,200+	\$10,500,000 / \$72,302	\$137,000	Previously known as Paradiso, Lennar purchased remainder of tract which totaled 139 lots with 56 nearly finished and 83 blue-topped lots.
4	Espana, southeast of Espana Blvd and Adams Street, Indio / 691-67 and 68 various / Lennar / Espana GID	9/4/20	55	6,600	\$1,960,000 / \$35,636	\$106,000	Broken project which has sat since the Great Recession. Near Data No. 1. Previously graded however will need additional grading and improvements.
5	N/S Brevia, east of Mandarina within Citrus Club at La Quinta Resort, La Quinta / 776-330-012 / Agg Worldwide LLC / Robott Land Co	8/18/20	3 lots 0.84 Ac	10,000 + / 3.0	\$490,000 / \$146,667	N/A	Three custom lots within Gold Reserve at The Citrus Club, La Quinta. Three lots purchased in bulk
6	Monte Vina, South side of Avenue 44 at Lago Vista Drive, Indio / 696-38 and 696-37 various / D.R. Horton / WSI Mojave Inv. LLC	7/21/20	126	7,000	\$5,900,000 / 46,825	\$\$117,000	Broken project that was mass graded prior to the Great Recession. Purchased with recorded map however additional grading will be needed.
7	Flair at Miralon, Ambassador Drive, west of Avalon Way, Palm Springs / 669-79 various / Woodbridge Pacific Group / Avalon 1150 LLC	8/6/19 First Take-Down	10 44 total	5,000	\$1,250,000 \$125,000	\$155,000	Within master planned community of Miralon in Palm Springs. Purchased in nearly finished condition. There have been two additional take-downs of 10 lots each at the same price.
8	E/S S. Palm Canyon Drive between Riverside Drive and E. Mesquite Avenue, Palm Springs / 508-630-001 / Toll Brothers	3/27/19	102 Lots 8.8 Ac	3,000 / 11.6	\$10,000,000 / \$98,039	N/A	Currently being marketed as Cody Place by Toll Brothers with home sizes from 1,840 to 3,269 square feet in 2 and 3-story homes on condominium lots with pricing from \$685,000 to \$895,000.

**IMPROVED RESIDENTIAL SALES MAP**  
**& SUMMARY CHART**

# Improved Residential Sales Map



No.	Project Name Location / Developer	Plan	Room Count	Floors / Parking	Size (SF)	Lot Size	Base Sales Price	Absorp. Rate/Mo	Price/SF
1	Del Webb at Rancho Mirage (Age Qualified) Rancho Mirage / Del Webb	Gateway 1	2 / 2	1 / 2	1,438	5,500	\$407,990	18.4	\$283.72
		Solitude 2	2 / 2	1 / 2	1,649		\$432,990		\$262.58
		Expedition 3	2 / 2	1 / 2	1,759		\$454,990		\$258.66
		Sanctuary 4	2 / 2	1 / 2	1,832		\$471,990		\$257.64
		Haven 5	2 / 2	1 / 2	1,858		\$476,990		\$256.72
		Preserve 6	3 / 2	1 / 2	2,008		\$498,990		\$248.50
		Refuge 7	3 / 2	1 / 2	2,187		\$519,990		\$237.76
		Serenity 8	3 / 2	1 / 2	2,329		\$585,990		\$251.61
		Journey 9	3 / 2.5	1 / 2	2,504		\$610,990		\$244.01
		Voyage 10	3 / 2.5	1 / 2	2,726		\$636,990		\$233.67
2	Trilogy at the Polo Club, (Age Qualified), Indio / Shea	R-1	2 / 2	1 / 2	1,294	5,000 – 6,000	\$306,990	6.8	\$237.24
		R-2	2 / 2	1 / 2	1,342		\$313,990		\$233.97
		R-3	2 / 2	1 / 2	1,542		\$339,990		\$220.49
		R-4	2 / 2.5	1 / 2	1,678		\$349,990		\$208.58
		F-1	2 / 2	1 / 2	1,448		\$355,990		\$245.85
		F-2	2 / 2	1 / 2	1,622		\$378,990		\$233.66
		F-3	3 / 2	1 / 2	1,847		\$391,990		\$212.23
		F-4	2 / 2	1 / 2	1,928		\$399,990		\$207.46
		F-5	2 / 2.5	1 / 2	2,039		\$440,990		\$216.28
		F-6	3 / 2.5	1 / 2	2,141		\$453,990		\$212.05
F-7	3 / 3	1 / 2	2,367	\$474,990	\$200.67				
3	Four Seasons at Terra Lago, (Age Restricted) / Indio, K Hovnanian	1	2 / 2	1 / 2	1,559	4,500 – 6,500	\$314,990	5.9	\$202.05
		2	2 / 2	1 / 2+	1,600		\$327,990		\$204.99
		3	2 / 2	1 / 2	1,706		\$316,990		\$185.81
		4	2 / 2	1 / 2	1,884		\$329,990		\$175.15
		5	2 / 2.5	1 / 2	2,166		\$348,990		\$161.12
		6	2 / 2.5	1 / 2+	2,283		\$389,561		\$170.63
		7	2 / 2	1 / 2+	2,018		N/A		N/A
		8	2 / 2	1 / 2+	2,100		N/A		N/A
		9	2 / 2.5	1 / 2+	2,411		\$395,900		\$164.21
		10	2 / 2.5	1 / 2+	2,519		\$432,190		\$171.57
		11	2 / 2.5	1 / 2+	2,747		N/A		N/A

No.	Project Name Location / Developer	Plan	Room Count	Floors / Parking	Size (SF)	Lot Size	Base Sales Price	Absorp. Rate/Mo	Price/SF
4	Genesis at Millennium, Palm Desert / GHA Company	1	3 / 2.5	1 / 2	2,274	6,000	\$619,900	3.0	\$272.60
		2	3 / 3.5	1 / 2	2,462		\$629,900		\$255.85
		3	3 / 2.5	1 / 2	2,497		\$639,900		\$256.27
5	Sage at Palm Desert / Dinah Shore & Dick Kelly Lane / Palm Desert / Ponderosa	1	3 / 2	1 / 2	1,757	5,000	\$448,900	1.1	\$255.49
		2	2 / 2.5	1 / 2	1,930		\$458,900		\$237.77
		3	3 / 2.5	1 / 2	1,950		\$488,900		\$250.72
		4	4 / 3	2 / 2	2,318		\$515,900		\$222.56
		5	4 / 3.5	2 / 2	2,419		\$527,900		\$218.23
6	Floresta, Avenue 52 & Jefferson, La Quinta / Beazer Homes	1	3 / 2.5	1 / 2	2,302	6,000	\$524,990	4.0	\$228.06
		2	4 / 3.5	1 / 2	2,467		\$530,990		\$215.24
		3	4 / 3.5	1 / 2	2,497		\$554,990		\$222.26
7	Aura at Miralon, Palm Springs / Christopher Hm	1	3 / 2.5	1 / 2	1,894	5,000	\$694,900	5.4	\$366.89
		2	3 / 3.5	1 / 2	2,084		\$714,900		\$343.04
		3	3 / 3.5	1 / 2	2,210		\$721,900		\$326.65
8	Flair at Miralon, Palm Springs / Woodbridge Pacific	1	3 / 2.5	1 / 2	2,209	5,500	\$669,000	2.8	\$302.85
		2	3 / 2.5	1 / 2	2,100		\$669,000		\$318.57
		3	3 / 2.5	1 / 2	2,248		\$749,000		\$333.18
		4	3 / 3.5	2 / 2	2,809		\$879,000		\$312.92
		5	3 / 2.5	1 / 2	2,241		N/A		N/A

## **APPRAISERS' 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

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## APPENDIX C

### CITY OF RANCHO MIRAGE ECONOMIC AND DEMOGRAPHIC INFORMATION

*The following information regarding the City and the surrounding area of Riverside County is presented as general background data. The Series 2021 Bonds are payable solely from, and are secured by, the Special Tax Revenues (as defined in this Official Statement), and from amounts on deposit in the Reserve Account established under the Indenture and other accounts and funds pledged under the Indenture. The taxing power of the City of Rancho Mirage, the County of Riverside, the State of California or any political subdivision thereof is not pledged to the payment of the Series 2021 Bonds. See the information under the caption "SECURITY FOR THE BONDS." Further, the information in this Appendix A is obtained from publicly available sources which do not yet provide current information in many cases to reflect the adverse impact of the Pandemic, particularly with respect to employment and taxable transactions. See "SPECIAL RISK FACTORS – Infectious Disease Outbreak" in this Official Statement for additional information.*

#### **General**

The City of Rancho Mirage was incorporated on August 3, 1973 and became a Charter City on December 25, 1997. The City is located in Riverside County, California, and has a boundary of approximately 24.8 square miles. The City operates under the Council-Manager form of government. The five City Council members, including the Mayor, are elected at large to four year terms on alternate slates every two years. The Mayor, appointed every year by the City Council from among its members on a rotational basis, serves a one-year term, presides over the meetings and has one vote. The City Council also serves as the Governing Board of the Agency, the Housing Authority, the Library, and the Joint Powers Financing Authority. The City Council appoints a City Manager, the City Attorney and the City Clerk.

#### **Population**

The population of the City has increased approximately 11% from 2010 through 2020. In addition to the permanent population, another approximately 9,275 people live in the City during the winter season. The following chart shows the annual population estimates of the City for the years 2010 through 2020:

**CITY OF RANCHO MIRAGE**  
**Annual Population Estimates**  
**(2010-2020)**

<b>Year</b>	<b>City of Rancho Mirage</b>	<b>Percent Change</b>	<b>County of Riverside</b>	<b>Percent Change</b>
2010*	17,218	--	2,189,641	--
2011	17,476	1.50%	2,216,250	1.22%
2012	17,664	1.08	2,244,472	1.27
2013	17,900	1.34	2,268,660	1.08
2014	18,014	0.64	2,290,907	0.98
2015	18,146	0.73	2,315,706	1.08
2016	18,356	1.16	2,343,785	1.21
2017	18,556	1.09	2,376,580	1.40
2018	18,708	0.82	2,400,762	1.02
2019	18,886	0.95	2,422,146	0.89
2020	19,114	1.21	2,442,304	0.83

\* Census numbers for 2010 are as of April 1<sup>st</sup>. All other years are as of January 1<sup>st</sup>.  
Source: State of California Department of Finance.

**Largest Taxpayers**

A list of the top ten property taxpayers in the City is set forth below:

**CITY OF RANCHO MIRAGE**  
**Top Ten Property Taxpayers**  
**(As of June 30, 2020)**

<b>Property Owner</b>	<b>Primary Land Use</b>	<b>Taxable Assessed Value</b>	<b>% of Total Assessed Value</b>
OC Mission Hills Project Owner LLC *	Commercial	\$ 87,769,565	0.98%
KSL RLP Holdings/Omni Rancho Las Palmas	Commercial	83,872,524	0.93
Cheer Land The River *	Commercial	71,582,388	0.80
EC Rancho Mirage Holdings LP	Agricultural	66,356,100	0.74
Eisenhower Medical Center Inc.	Commercial	62,570,274	0.70
Newage Rancho Mirage	Commercial	61,922,900	0.69
Porcupine Properties	Commercial	60,083,695	0.67
G and I IX Rancho	Commercial	38,024,500	0.42
Indigo Properties Rancho Mirage	Commercial	37,122,429	0.41
Mission Hills Country Club Inc.	Commercial	36,449,698	0.41
		\$605,754,073	6.74%

\* Pending appeals on parcels.  
Source: City of Rancho Mirage Comprehensive Annual Financial Report Year Ended June 30, 2020.

## Assessed Valuation

The City is a non-tax municipality, in that it generally does not receive property taxes directly from property owners. The City did not have a property tax rate prior to the enactment of Proposition 13, and it legislatively is restricted from imposing one. The following is a schedule of assessed value of property in the City for the fiscal years 2010-11 through 2019-20:

### CITY OF RANCHO MIRAGE Schedule of Assessed Valuation Fiscal Years 2010-11 through 2019-20

Year Ended June 30	Secured Property	Unsecured Property	SBE Nonunitary	Net Total Valuation
2011	\$7,255,965,806	\$136,716,425	\$1,206,604	\$7,393,888,835
2012	7,068,971,567	122,649,654	1,206,604	7,192,827,825
2013	7,067,615,088	112,165,925	1,206,604	7,180,987,617
2014	7,236,675,152	101,877,646	1,206,604	7,339,759,402
2015	7,546,223,218	95,581,717	1,206,604	7,643,011,539
2016	7,828,064,961	103,642,342	1,206,604	7,932,913,907
2017	8,045,875,869	107,179,121	1,206,604	8,154,261,594
2018	8,261,389,878	108,388,709	1,206,604	8,370,985,191
2019	8,543,095,822	100,985,678	1,980,000	8,656,061,500
2020	8,863,316,087	108,972,915	1,980,000	8,974,269,002

*Source: City of Rancho Mirage Comprehensive Annual Financial Report Year Ended June 30, 2020.*

## Commercial Activity

A summary of taxable transactions in the City is set forth below:

### CITY OF RANCHO MIRAGE Valuation of Taxable Transaction 2015-2019 (Taxable Transactions in \$000's)

	Retail and Food Services			Total All Outlets		
	Number of Permits	Taxable Transactions	Percent Change	Number of Permits	Taxable Transactions	Percent Change
2015	430	326,425	--	653	429,732	--
2016	431	337,142	3.28%	630	459,544	6.94%
2017	418	354,692	5.21	619	485,927	5.74
2018	397	375,273	5.80	631	521,186	7.26
2019	415	393,808	4.94	670	552,846	6.07

*Source: California State Board of Equalization and California Department of Tax and Fee Administration.*

## Personal Income

The table below summarizes personal income and per capita personal income for the County, the State and the United States for 2015 through 2019.

### COUNTY OF RIVERSIDE, STATE OF CALIFORNIA AND UNITED STATES PERSONAL INCOME (Not adjusted for inflation)

Area	Personal Income (000's)	Per Capita Personal Income*
<b>2015</b>		
Riverside County	\$ 86,196,663	\$36,745
California	2,172,930,238	55,833
United States	15,717,140,000	49,019
<b>2016</b>		
Riverside County	\$ 90,713,807	\$38,114
California	2,273,557,468	58,048
United States	16,151,881,000	50,015
<b>2017</b>		
Riverside County	\$ 94,542,096	\$39,148
California	2,383,130,513	60,549
United States	16,937,582,000	52,118
<b>2018</b>		
Riverside County	\$ 99,266,122	\$40,587
California	2,514,503,372	63,720
United States	17,839,255,000	54,606
<b>2019</b>		
Riverside County	\$ 104,794,676	\$42,418
California	2,632,279,775	66,619
United States	18,542,262,000	56,490

\* Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2015-2019 reflect county population estimates available as of March 2020.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

## Education

The Palm Springs Unified School District serves the Community Facilities District. The Palm Springs Unified School District operates fifteen elementary schools, five middle schools and four high schools as well as three alternative schools. 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 colleges include College of the Desert, Mt. San Jacinto Community College, Copper Mountain Community College, Crafton Hills College, Moreno Valley College and Riverside City College, all within 50 miles of the Community Facilities District.

## INDUSTRY AND EMPLOYMENT

The following table summarizes the historical numbers of workers in the Riverside-San Bernardino-Ontario Metropolitan Statistical Area over the period 2016 through 2020 by industry.

### RIVERSIDE -SAN BERNARDINO-ONTARIO METROPOLITAN STATISTICAL AREA Industry Employment and Labor Force – Annual Average

Industry	2016	2017	2018	2019	2020
Farm	14,600	14,500	14,500	15,400	13,900
Mining and Logging	900	1,000	1,200	1,200	1,300
Construction	92,000	97,400	105,200	107,200	105,000
Manufacturing	97,500	98,000	99,800	100,600	94,300
Wholesale Trade	61,600	62,600	65,500	67,100	64,600
Retail Trade	178,300	180,900	181,200	180,700	168,800
Transportation, Warehousing and Utilities	106,400	119,900	132,100	146,600	170,500
Information	11,800	11,600	11,400	11,500	9,400
Financial Activities	44,900	44,700	44,600	45,000	43,700
Professional and Business Services	145,100	147,300	152,000	158,700	154,000
Educational and Health Services	215,700	226,700	239,500	250,300	248,700
Leisure and Hospitality	160,200	166,300	170,600	175,900	139,200
Other Services	44,600	45,400	45,800	46,200	39,600
Government	242,300	251,000	257,200	261,200	249,100
Total All Industries <sup>(1)</sup>	1,416,000	1,467,300	1,520,500	1,567,500	1,501,800

<sup>(1)</sup> Data may not add due to rounding. Not seasonally adjusted.

Source: State of California Employment Development Department, Labor Market Information Division.

The table below summarizes the labor force, employment and unemployment figures over the period 2016 through 2020 for the County and the State.

**COUNTY OF RIVERSIDE AND STATE OF CALIFORNIA**  
**Labor Force, Employment And Unemployment**  
**Yearly Average**

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
<b>2016</b>				
Riverside County	1,051,600	987,200	64,400	6.1%
California	19,012,000	17,965,400	1,046,600	5.5
<b>2017</b>				
Riverside County	1,071,600	1,014,900	56,700	5.3
California	19,173,800	18,246,800	927,000	4.8
<b>2018</b>				
Riverside County	1,090,100	1,041,500	48,600	4.5
California	19,263,900	18,442,400	821,500	4.3
<b>2019</b>				
Riverside County	1,105,700	1,058,700	47,000	4.2
California	19,353,700	18,550,500	803,200	4.2
<b>2020</b>				
Riverside County	1,107,700	997,700	110,000	9.9
California	18,821,200	16,913,100	1,908,100	10.1

*Source: California Employment Development Department. Not seasonally adjusted.*

## APPENDIX D

### SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

*The following summary discussion of selected provisions of the Indenture is made subject to all of the provisions of the Indenture. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Series 2021 Bonds are referred to the complete text of the Indenture, a copy of which is available upon request sent to the Trustee.*

### DEFINITIONS

Unless the context otherwise requires, the terms defined below shall for all purposes of the Indenture and of any certificate, opinion or other document mentioned in the Indenture, have the meanings specified below.

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

**“Additional Bonds”** means Bonds other than Series 2021 Bonds issued under the Indenture in accordance with the provisions thereof as summarized herein under the heading “ADDITIONAL BONDS.”

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

**“Administrative Expenses”** means the actual or reasonably estimated costs related to the administration of the Community Facilities District, including, but not limited to: the costs of preparing and computing the Special Taxes (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the City, the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, the Community Facilities District, or any designee thereof complying with arbitrage rebate requirements, including without limitation rebate liability costs and periodic rebate calculations; the costs to the City, the Community Facilities District, or any designee thereof complying with disclosure or reporting requirements of the City or the Community Facilities District, associated with applicable federal and State laws; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs to the City, the Community Facilities District, or any designee thereof related to an appeal of the Special Tax; and the City’s annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the City or the Community Facilities District for any other administrative purposes of the Community Facilities District, including attorney’s fees and other costs related to commencing and pursuing any foreclosure of delinquent Special Taxes.

**“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 are retired as scheduled (including by reason of mandatory sinking fund redemptions); and (b) the principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking fund redemptions due in such Bond Year).

**“Appraised Value”** means the value of all or any portion of the Taxable Property, as set forth in a Qualified Appraisal Report prepared by a Qualified Appraiser.

**“Assessed Value”** means, with respect to all or any portion of the Taxable Property, as of any date, the assessed value thereof, as such value is shown on the most recently equalized assessment roll.

**“Auditor”** means the Auditor/Controller of the County of Riverside.

**“Authorized Denominations”** means (a) with respect to the Series 2021 Bonds, \$5,000 and any integral multiple thereof, and (b) with respect to each Series of Additional Bonds, the authorized denominations for such Series of Additional Bonds specified in the Supplemental Indenture pursuant to which such Additional Bonds are issued.

**“Authorized Representative”** means, with respect to the Community Facilities District, each of the City’s Mayor, the City Manager, and the Director of Administrative Services, and any other Person designated as an Authorized Representative of the Community Facilities District in a Written Certificate of the Community Facilities District filed with the Trustee.

**“Average Annual Debt Service”** means the average of the Annual Debt Service for all remaining Bond Years, including the Bond Year in which the calculation is made.

**“Bond Counsel”** means a firm of nationally recognized bond counsel selected by the Community Facilities District.

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

**“Bond Year”** means each twelve-month period beginning on September 2 in each year and extending to the next succeeding September 1, both dates inclusive, except that the first Bond Year shall begin on the Closing Date and end on September 1, 2021.

**“Bonds”** means the City of Rancho Mirage Community Facilities District No. 4B (Del Webb Project) Special Tax Bonds issued under the Indenture, and includes the Series 2021 Bonds and any Additional Bonds.

**“Book-Entry Bonds”** means the Bonds of a Series registered in the name of the nominee of DTC, or any successor securities depository for such Series of Bonds, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

**“Business Day”** means a day which is not (a) a Saturday, Sunday, or legal holiday in the State of California, (b) a day on which banking institutions in the State of California, or in any state in which the Office of the Trustee is located, are required, or authorized by law (including executive order) to close, or (c) a day on which the New York Stock Exchange is closed.

**“Capitalized Interest Account”** means the account by that name established pursuant to the Indenture.

**“Cede & Co.”** means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to a Series of Book-Entry Bonds.

**“CFD Administrator”** has the meaning ascribed thereto in the Rate and Method.

**“City”** means the City of Rancho Mirage, a political subdivision organized and existing under and by virtue of the laws of the State of California.

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

**“Closing Date”** means the date upon which the Series 2021 Bonds are delivered to the Original Purchaser.

**“Code”** means the Internal Revenue Code of 1986.

**“Community Facilities District”** means City of Rancho Mirage Community Facilities District No. 4B (Del Webb Project), a community facilities district organized and existing under and by virtue of the laws of the State of California, and any successor thereto.

**“Costs of Issuance”** means all items of expense directly or indirectly payable by or reimbursable to the Community Facilities District relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to printing expenses, rating agency fees, filing and recording fees, initial fees, expenses and charges of the Trustee and its counsel, including the Trustee’s first annual administrative fee, fees, charges and disbursements of attorneys, municipal advisors, accounting firms, appraisers, consultants, and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds, any premium for a bond insurance policy securing payment of the Bonds, any premium for a reserve facility and any other cost, charge or fee in connection with the original issuance of the Bonds.

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

**“County”** means the County of Riverside, a county and political subdivision of the State organized and existing under the laws of the State, and any successor thereto.

**“Developed Property”** has the meaning ascribed thereto in the Rate and Method.

**“Developer”** means Pulte Home Company, LLC, a Michigan limited liability company and its successors or assigns.

**“Developer Continuing Disclosure Agreement”** means the Continuing Disclosure Agreement, dated as of April 1, 2021, by the Developer and Willdan Financial Services, as dissemination agent, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

**“District Continuing Disclosure Agreement”** means the Continuing Disclosure Agreement, dated as of April 1, 2021, by the Community Facilities District and Willdan Financial Services, as dissemination agent, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

**“DTC”** means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors as securities depository for any Series of Book-Entry Bonds, including any such successor appointed pursuant to the Indenture.

**“Facilities”** means those facilities and governmental fees, as applicable, as defined and further described in Section 6 of the Resolution of Formation.

**“Federal Securities”** means (a) 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), and (b) obligations of any agency, department or instrumentality of the United States of America the timely payment of principal of and interest on which are fully guaranteed by the United States of America.

**“Final Map”** has the meaning ascribed thereto in the Rate and Method.

**“Fiscal Year”** means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the Community Facilities District designated in a Written Certificate of the Community Facilities District delivered to the Trustee.

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

**“Indenture”** means the Indenture, as originally executed and as it may be amended or supplemented from time to time by any Supplemental Indenture.

**“Independent Consultant”** means any consultant or firm of such consultants selected by the Community Facilities District and who, or each of whom: (a) is generally recognized to be qualified in the financial consulting field; (b) is in fact independent and not under the control of the Community Facilities District or the City; (c) does not have any substantial interest, direct or indirect, with or in the Community Facilities District or the City, or any owner of real property in the Community Facilities District, or any real property in the Community Facilities District; and (d) is not connected with the Community Facilities District or the City as an officer or employee thereof, but who may be regularly retained to make reports to the Community Facilities District or the City.

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

**“Interest Payment Dates”** means March 1 and September 1 of each year, commencing September 1, 2021, so long as any Bonds remain Outstanding.

**“Maximum Annual Debt Service”** means the largest Annual Debt Service for any Bond Year, including the Bond Year the calculation is made.

**“Maximum Special Tax”** has the meaning ascribed thereto in the Rate and Method.

**“Moody’s”** means Moody’s Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Community Facilities District.

**“Net Special Tax Revenues”** means Special Tax Revenues, less amounts required to pay Priority Administrative Expenses.

**“Office of the Trustee”** means the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as may be specified to the Community Facilities District by the Trustee in writing.

**“Ordinance”** means any ordinance adopted by the City levying the Special Taxes.

**“Original Purchaser”** means the original purchaser of the Series 2021 Bonds from the Community Facilities District.

**“Other CFD Bonds”** means, as of the date of determination, any and all bonds, notes or other evidence of indebtedness, other than the Bonds, then outstanding and issued by an Overlapping CFD under the Act and payable at least partially from special taxes to be levied on parcels of Taxable Property.

**“Outstanding”** means, when used as of any particular time with reference to Bonds, subject to the provisions of the Indenture as summarized herein under the heading “MISCELLANEOUS – Disqualified Bonds,” all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Community Facilities District shall have been discharged in accordance with the provisions of the Indenture as summarized herein under the heading “DEFEASANCE – Discharge of the Indenture,” including Bonds (or portions of Bonds) disqualified under the provisions of the Indenture as summarized herein under the heading “MISCELLANEOUS – Disqualified Bonds”; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the provisions of the Indenture.

**“Overlapping CFD”** means a separate community facilities district established by the City or another local agency that includes all or a portion of the Taxable Property in the Community Facilities District and that levies special taxes pursuant to its own rate and method of apportionment on such property.

**“Owner”** means, with respect to a Bond, the Person in whose name such Bond is registered on the Registration Books.

**“Participant”** means any entity which is recognized as a participant by DTC in the book-entry system of maintaining records with respect to Book-Entry Bonds.

**“Permitted Investments”** means the following, to the extent that such securities are otherwise eligible legal investments of the Community Facilities District:

- (a) Federal Securities;

Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank;
- Rural Economic Community Development Administration;
- U.S. Maritime Administration;
- Small Business Administration;
- U.S. Department of Housing & Urban Development (PHAs);
- Federal Housing Administration; and
- Federal Financing Bank;

(b) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

— Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);

— Obligations of the Resolution Funding Corporation (REFCORP);

— Senior debt obligations of the Federal Home Loan Bank System; and

— Senior debt obligations of other Government Sponsored Agencies approved by the Insurer;

(c) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's 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);

(d) 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;

(e) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(f) 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

(1) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(2) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in clause (2) of the definition of "Defeasance Securities" contained in the Indenture, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(g) Municipal Obligations rated in the top two rating categories or higher by both Moody's and S&P;

(h) Investment Agreements rated in the top two rating categories or higher by Moody's or S&P (supported, as may be required, by appropriate opinions of counsel);

(i) Any investment authorized by California Government Code Section 53601;

(j) The Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments of moneys held in any of the funds or accounts established pursuant to the Indenture;

(k) The Riverside County Investment Pool; and

(l) Other forms of investments rated in the top two rating categories or higher by Moody's or S&P (supported, as may be required, by appropriate opinions of counsel).

Any references to long-term rating categories in the definition of "Permitted Investments" shall not take into account any plus or minus sign or numerical modifiers.

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

**"Principal Account"** means the account by that name within the Bond Fund established and held by the Trustee pursuant to the Indenture.

**"Priority Administrative Expenses"** means \$15,000 in annual Administrative Expenses.

**"Qualified Appraisal Report"** means a real estate appraisal report which (a) has been prepared by a Qualified Appraiser, (b) uses a date of value that is no earlier than three months prior to the date on which the value reported in such appraisal report is used in accordance with the provisions of the Indenture, (c) is prepared in accordance with the applicable standards of the Appraisal Institute for such reports, and (d) is prepared in accordance with the applicable guidelines of the California Debt and Investment Advisory Commission for such reports, as such guidelines are in effect on the Closing Date.

**"Qualified Appraiser"** means a real estate appraiser selected by the Community Facilities District and having an "MAI" designation from the Appraisal Institute.

**"Rate and Method"** means the "Rate and Method of Apportionment of Apportionment of Special Tax – City of Rancho Mirage Community Facilities District No. 4B (Del Webb Project)" a copy of which was recorded on September 16, 2019 in the office of the Riverside County Clerk-Recorder as document number 2019-0361851.

**"Rebate Fund"** means the fund by that name established and held by the Trustee pursuant to the Indenture.

**"Rebate Requirement"** has the meaning ascribed thereto in the Tax Certificate.

**"Record Date"** means, with respect to interest payable on any Interest Payment Date, the 15th calendar day of the month preceding each Interest Payment Date, whether or not such day is a Business Day.

**"Redemption Fund"** means the fund by that name established and held by the Trustee pursuant to the Indenture.

**"Redemption Price"** means the aggregate amount of principal of and premium, if any, on the Bonds upon the redemption thereof pursuant to the Indenture.

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

**"Representation Letter"** means the Letter of Representations from the Community Facilities District to DTC, or any successor securities depository for any Series of Book-Entry Bonds, in which the Community Facilities District makes certain representations with respect to issues of its securities for deposit by DTC or such successor depository.

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

**“Reserve Requirement”** means, as of the date of any calculation, the least of (a) “10% of the proceeds of the issue,” within the meaning of Section 148 of the Code, with respect to the Bonds (excluding from such calculation Bonds refunded with the proceeds of subsequently issued Bonds), (b) Maximum Annual Debt Service, and (c) 125% of Average Annual Debt Service.

**“Resolution of Formation”** means the Resolution No. 2019-44, adopted by the City Council of the City on September 5, 2019, establishing and forming the Community Facilities District, as originally adopted and as it may be amended or supplemented from time to time.

**“S&P”** means S&P Global Ratings, a business unit of Standard and Poor’s Financial Services, LLC, and its successors and assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Community Facilities District.

**“Series”** means the initial series of Bonds executed, authenticated, and delivered on the date of initial issuance of the Bonds and identified pursuant to the Indenture as the Series 2021 Bonds, and any Additional Bonds issued pursuant to a Supplemental Indenture and identified as a separate Series of Bonds.

**“Series 2021 Bonds”** means the City of Rancho Mirage Community Facilities District No. 4B (Del Webb Project) Special Tax Bonds, Series 2021 issued under the Indenture.

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

**“Special Tax Revenues”** means the proceeds of the Special Taxes received by or on behalf of the Community Facilities District, including any prepayments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes, which shall be limited to the amount of said lien and interest and penalties thereon.

**“Special Taxes”** has the meaning ascribed thereto in the Rate and Method.

**“Supplemental Indenture”** means any supplemental indenture amendatory of or supplemental to the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

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

**“Tax Certificate”** means the Tax Certificate executed by the Community Facilities District at the time of issuance of the Series 2021 Bonds relating to the requirements of Section 148 of the Code, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

**“Taxable Property”** has the meaning ascribed thereto in the Rate and Method.

**“Trustee”** means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, or any successor thereto as Trustee under the Indenture, appointed as provided in the Indenture.

“**Underwriter**” has the meaning ascribed thereto in the Developer Continuing Disclosure Agreement.

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

### **CERTAIN PROVISIONS OF THE BONDS**

**Transfer and Exchange of Bonds.** Any Bond may, in accordance with its terms, be transferred upon the Registration Books 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 written instrument of transfer, duly executed in a form acceptable to the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer, the Community Facilities District shall execute, and the Trustee shall authenticate and shall deliver, a new Bond or Bonds of the same Series and maturity in a like aggregate principal amount, in any Authorized Denomination. The Trustee shall require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of the same Series and maturity of other Authorized Denominations. The Trustee shall require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee shall not be obligated to make any transfer or exchange of Bonds of a Series pursuant to the provisions of the Indenture summarized herein under this heading (“–Transfer and Exchange of Bonds”) during the period established by the Trustee for the selection of Bonds of such Series for redemption, or with respect to any Bonds of such Series selected for redemption.

**Temporary Bonds.** The Bonds of a Series may be issued in temporary form exchangeable for definitive Bonds of such Series when ready for delivery. Any temporary Bonds may be printed, lithographed, or typewritten, shall be of such Authorized Denominations as may be determined by the Community Facilities District, shall be in fully registered form without coupons and may contain such reference to any of the provisions of the Indenture as may be appropriate. Every temporary Bond shall be executed by the Community Facilities District and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Community Facilities District issues temporary Bonds of a Series it shall execute and deliver definitive Bonds of such Series as promptly thereafter as practicable, and thereupon the temporary Bonds of such Series may be surrendered, for cancellation, at the Office of the Trustee and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of such Series and maturities in Authorized Denominations. Until so exchanged, the temporary Bonds of such Series shall be entitled to the same benefits under the Indenture as definitive Bonds of such Series authenticated and delivered under the Indenture.

**Bonds Mutilated, Lost, Destroyed or Stolen.** If any Bond shall become mutilated, the Community Facilities District, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and Series in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and delivered to, or upon the order of, the Community Facilities District. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence and indemnity satisfactory to the

Trustee shall be given, the Community Facilities District, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and Series in lieu of and in replacement for the Bond so lost, destroyed, or stolen (or if any such Bond shall have matured or shall have been selected for redemption, instead of issuing a replacement Bond, the Trustee may pay the same without surrender thereof). The Community Facilities District may require payment by the Owner of a sum not exceeding the actual cost of preparing each replacement Bond issued under the provisions of the Indenture summarized in this paragraph and of the expenses which may be incurred by the Community Facilities District and the Trustee. Any Bond of a Series issued under the provisions of the Indenture summarized in this paragraph in lieu of any Bond of such Series alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Community Facilities District whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture with all other Bonds of such Series secured by the Indenture.

**Book-Entry Bonds.** (a) Prior to the issuance of a Series of Bonds, the Community Facilities District may provide that such Series of Bonds shall initially be issued as Book-Entry Bonds and, in such event, the Bonds of such Series for each maturity shall be in the form of a separate single fully registered Bond (which may be typewritten). The Series 2021 Bonds shall initially be issued as Book-Entry Bonds.

Except as provided in paragraph (c) below, the registered Owner of all of the Book-Entry Bonds shall be DTC and the Book-Entry Bonds shall be registered in the name of Cede & Co., as nominee of DTC. Notwithstanding anything to the contrary contained in the Indenture, payment of interest with respect to any Book-Entry Bond registered as of each Record Date in the name of Cede & Co. shall be made by wire transfer of same-day funds to the account of Cede & Co. on the payment date for the Book-Entry Bonds at the address indicated on the Record Date for Cede & Co. in the Registration Books or as otherwise provided in the Representation Letter.

(b) The Trustee and the Community Facilities District may treat DTC (or its nominee) as the sole and exclusive Owner of the Book-Entry Bonds registered in its name for the purposes of payment of the principal, premium, if any, or interest with respect to the Book-Entry Bonds, selecting the Book-Entry Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Owners of Book-Entry Bonds under the Indenture, registering the transfer of Book-Entry Bonds, obtaining any consent or other action to be taken by Owners of Book-Entry Bonds and for all other purposes whatsoever, and neither the Trustee nor the Community Facilities District shall be affected by any notice to the contrary. Neither the Trustee nor the Community Facilities District shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Book-Entry Bonds under or through DTC or any Participant, or any other person which is not shown on the Registration Books as being an Owner, with respect to the accuracy of any records maintained by DTC or any Participant, the payment by DTC or any Participant of any amount in respect of the principal, premium, if any, or interest with respect to the Book-Entry Bonds, any notice which is permitted or required to be given to Owners of Book-Entry Bonds under the Indenture, the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Book-Entry Bonds, or any consent given or other action taken by DTC as Owner of Book-Entry Bonds. The Trustee shall pay all principal, premium, if any and interest with respect to the Book-Entry Bonds, only to DTC, and all such payments shall be valid and effective to fully satisfy and discharge the Community Facilities Districts obligations with respect to the principal, premium, if any, and interest with respect to the Book-Entry Bonds to the extent of the sum or sums so paid. Except under the conditions of paragraph (c) below, no person other than DTC shall receive an executed Book-Entry Bond for each separate stated maturity. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions summarized herein with respect to record dates, the term "Cede & Co." in the Indenture shall refer to such new nominee of DTC.

(c) In the event (i) DTC, including any successor as securities depository for a Series of Bonds, determines not to continue to act as securities depository for such Series of Bonds, or (ii) the Community Facilities District determines that the incumbent securities depository shall no longer so act as securities depository for such Series of Bonds, and delivers a written certificate to the Trustee to that effect, then the Community Facilities District will discontinue the book-entry system with the incumbent securities depository for such Series of Bonds. If the Community Facilities District determines to replace the incumbent securities depository for such Series of Bonds with another qualified securities depository, the Community Facilities District shall prepare or direct the preparation of a new single, separate, fully registered Bond of such Series for the aggregate outstanding principal amount of Bonds of such Series of each maturity, registered in the name of such successor or substitute qualified securities depository, or its nominee, or make such other arrangement acceptable to the Community Facilities District, the Trustee and the successor securities depository for the Bonds of such Series as are not inconsistent with the terms of the Indenture. If the Community Facilities District fails to identify another qualified successor securities depository for such Series of Bonds to replace the incumbent securities depository, then the Bonds of such Series shall no longer be restricted to being registered in the Registration Books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository for such Series of Bonds, or its nominee, shall designate. In such event the Community Facilities District shall execute, and deliver to the Trustee, a sufficient quantity of Bonds of such Series to carry out the transfers and exchanges provided in the Indenture as summarized herein under the headings “CERTAIN PROVISIONS OF THE BONDS – Transfer and Exchange of Bonds,” “—Temporary Bonds” and “—Bonds Mutilated, Lost, Destroyed or Stolen.” All such Bonds of such Series shall be in fully registered form in denominations authorized by the Indenture.

(d) Notwithstanding any other provision of the Indenture to the contrary, so long as any Book-Entry Bond is registered in the name of DTC, or its nominee, all payments with respect to the principal, premium, if any, and interest with respect to such Book-Entry Bond and all notices with respect to such Book-Entry Bond shall be made and given, respectively, as provided in the Representation Letter.

(e) In connection with any notice or other communication to be provided to Owners of Book-Entry Bonds pursuant to the Indenture by the Community Facilities District or the Trustee with respect to any consent or other action to be taken by Owners, the Community Facilities District or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

## **ADDITIONAL BONDS**

**Conditions for the Issuance of Additional Bonds.** The Community Facilities District may at any time issue one or more Series of Additional Bonds payable from Net Special Tax Revenues as provided in the Indenture on a parity with all other Bonds theretofore issued under the Indenture, but only subject to the following conditions, which are made conditions precedent to the issuance of such Additional Bonds:

(a) upon the issuance of such Additional Bonds, no Event of Default shall have occurred and be continuing under the Indenture;

(b) the issuance of such Additional Bonds shall have been authorized under and pursuant to the Indenture and the Act and shall have been provided for by a Supplemental Indenture which shall specify the following:

(i) the purpose for which the proceeds of such Additional Bonds are to be applied, which purpose may only include providing funds to refund any Bonds previously issued under the Indenture, and providing funds to pay Costs of Issuance incurred in connection with the issuance of such Additional Bonds;

(ii) the principal amount and designation of such Series of Additional Bonds and the interest rate to be borne by each maturity of such Additional Bonds;

(iii) that such Additional Bonds shall be payable as to interest on the Interest Payment Dates, except that the first installment of interest may be payable on either March 1 or September 1 and shall be for a period of not longer than twelve months;

(iv) the date, the maturity date or dates and the dates on which mandatory sinking fund redemptions, if any, are to be made for such Additional Bonds; provided, however, that each such maturity date and date on which a mandatory sinking fund redemption is to be made shall be September 1 and, provided, further, that serial maturities of serial Bonds or mandatory sinking fund redemptions for term Bonds, or any combination thereof, shall be established to provide for the redemption or payment of such Additional Bonds on or before their respective maturity dates;

(v) the redemption premiums and terms, if any, for such Additional Bonds;

(vi) the form of such Additional Bonds;

(vii) the amount, if any, to be deposited from the proceeds of sale of such Additional Bonds in the Reserve Fund; and

(viii) such other provisions that are appropriate or necessary and are not inconsistent with the provisions of the Indenture;

(c) Annual Debt Service in each Bond Year, calculated for all Bonds that will be Outstanding after the issuance of such Additional Bonds, will be less than or equal to Annual Debt Service in such Bond Year, calculated for all Bonds which are Outstanding immediately prior to the issuance of such Additional Bonds

Notwithstanding the foregoing, if (i) such Additional Bonds are being issued to refund previously issued Bonds, and (ii) Annual Debt Service in each Bond Year, calculated for all Bonds that will be Outstanding after the issuance of such Additional Bonds, will be less than or equal to Annual Debt Service in such Bond Year, calculated for all Bonds which are Outstanding immediately prior to the issuance of such Additional Bonds, the receipt of the certificate described in paragraph (c), above, shall not be a condition precedent to the issuance of such Additional Bonds.

Nothing contained in the Indenture shall limit the issuance of any special tax bonds payable from Special Taxes if, after the issuance and delivery of such special tax bonds, none of the Bonds theretofore issued under the Indenture will be Outstanding.

**Procedure for the Issuance of Additional Bonds.** At any time after the sale of any Additional Bonds in accordance with the Act, such Additional Bonds shall be executed by the Community Facilities District for issuance under the Indenture and shall be delivered to the Trustee and thereupon shall be authenticated and delivered by the Trustee, but only upon receipt by the Trustee of the following:

(a) an executed copy of the Supplemental Indenture authorizing the issuance of such Additional Bonds;

(b) a Written Request of the Community Facilities District as to the delivery of such Additional Bonds;

(c) a Written Certificate of the Community Facilities District stating that the conditions precedent to the issuance of such Additional Bonds specified in the Indenture as summarized herein under the heading “ADDITIONAL BONDS – Conditions for the Issuance of Additional Bonds” have been satisfied;

(d) an opinion of Bond Counsel substantially to the effect that (i) the Indenture and all Supplemental Indentures have been duly authorized, executed and delivered by, and constitute the valid and binding obligations of, the Community Facilities District (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases and subject to the limitations on legal remedies against political subdivisions in the State) and (ii) such Additional Bonds constitute valid and binding special obligations of the Community Facilities District (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases and subject to the limitations on legal remedies against political subdivisions in the State);

(e) the proceeds of the sale of such Additional Bonds; and

(f) such further documents or money as are required by the provisions of the Indenture or by the provisions of the Supplemental Indenture authorizing the issuance of such Additional Bonds.

**Additional Bonds.** So long as any of the Bonds remain Outstanding, the Community Facilities District shall not issue any Additional Bonds or obligations payable from Net Special Tax Revenues on a parity with the Bonds, except pursuant to the Indenture as summarized herein under the heading “ADDITIONAL BONDS.” So long as any of the Bonds remain Outstanding, the Community Facilities District shall not issue any obligations payable from Net Special Tax Revenues on a basis senior to the Bonds. In addition, (i) the City may form Overlapping CFDs in the future, (ii) the special taxes levied in such Overlapping CFDs shall have the same lien priority in case of delinquency as the Special Taxes, (iii) nothing in the Indenture shall prohibit or limit in any way the issuance by the Overlapping CFDs of Other CFD Bonds, which may be issued without compliance with the provisions of the Indenture as summarized herein under the heading “ADDITIONAL BONDS” but will nonetheless be secured by other special taxes the lien of which would be co-equal to the lien of the Special Taxes, (iv) in the event that special taxes collected from property that is in both the Community Facilities District and the Overlapping CFDs established by the City are less than the amounts levied on such property by the Community Facilities District and such Overlapping CFDs, the actual amount of special taxes collected shall be distributed pro rata to the Community Facilities District and such Overlapping CFDs based on the amounts levied by each of the Community Facilities District and such Overlapping CFDs on such property, and (v) in the event amounts collected in foreclosure proceedings from property that is in both the Community Facilities District and the Overlapping CFDs established by the City are less than the amounts due from such property to both the Community Facilities District and such Overlapping CFDs, then the actual amounts collected from such property in foreclosure proceedings shall be distributed pro rata to the Community Facilities District and such Overlapping CFDs based on the amounts due from such property to each of the Community Facilities District and such Overlapping CFDs.

## **SECURITY FOR BONDS; FLOW OF FUNDS; INVESTMENTS**

**Pledge.** Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all of the Net Special Tax Revenues and any other amounts (including proceeds of the sale of the Bonds) held in the Special Tax Fund, the Bond

Fund, the Redemption Fund and the Reserve Fund are pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms, the provisions of the Indenture and the Act. Said pledge shall constitute a first lien on such assets.

**Special Tax Fund.** (a) The Trustee shall establish and maintain a separate fund designated the “Special Tax Fund.” As soon as practicable after the receipt by the Community Facilities District of any Special Tax Revenues, but in any event no later than the date ten Business Days prior to the Interest Payment Date after such receipt, the Community Facilities District shall transfer such Special Tax Revenues to the Trustee for deposit in the Special Tax Fund; provided, however, that for any prepayments of Special Taxes under the Rate and Method, any portion of any such prepayment that are to be applied to the payment of the Redemption Price of Bonds in accordance with the provisions of the Indenture shall be identified to the Trustee as such by the Community Facilities District and shall be deposited in the Redemption Fund.

(b) Upon receipt of a Written Request of the Community Facilities District, the Trustee shall withdraw from the Special Tax Fund and transfer to the Administrative Expense Fund the Priority Administrative Expenses specified in such Written Request of the Community Facilities District.

(c) On the Business Day immediately preceding each Interest Payment Date, after having made any requested transfer of the Priority Administrative Expenses to the Administrative Expense Fund, the Trustee shall withdraw from the Special Tax Fund Net Special Tax Revenues in an amount sufficient to enable the Trustee to make the following transfers in the following order of priority:

(i) *Interest Account of the Bond Fund.* To the Interest Account, the amount, if any, necessary to cause the amount on deposit in the Interest Account to be equal to the interest due on the Bonds on such Interest Payment Date;

(ii) *Principal Account of the Bond Fund.* To the Principal Account, the amount, if any, necessary to cause the amount on deposit in the Principal Account to be equal to the principal, if any, due on the Bonds on such Interest Payment Date, including principal due and payable by reason of mandatory sinking fund redemption of such Bonds; and

(iii) *Reserve Fund.* To the Reserve Fund, the amount, if any, necessary to cause the amount on deposit in the Reserve Fund to be equal to the Reserve Requirement.

(d) On or after each September 2, after having made the transfers pursuant to the provisions of the Indenture as summarized herein under paragraph (c) above, the Trustee shall withdraw from the Special Tax Fund any Net Special Tax Revenues therein as of such September 2 to make the following transfers in the following order of priority:

(i) *Administrative Expense Fund.* To the Administrative Expense Fund, if upon receipt of a Written Request of the Community Facilities District for an amount greater than the Priority Administrative Expenses, the amount necessary to be transferred thereto in order to have sufficient amounts available therein to pay Administrative Expenses; and

(ii) *Surplus Fund.* To the Surplus Fund.

**Bond Fund.** (a) The Trustee shall establish and maintain a separate fund designated the “Bond Fund.” Within the Bond Fund, the Trustee shall establish and maintain a separate account designated the “Principal Account,” a separate account designated the “Interest Account” and a separate account designated the “Capitalized Interest Account.” The Trustee shall deposit in the Bond Fund from time to time the amounts required to be deposited therein from the Special Tax Fund pursuant to the provisions of the Indenture. The Trustee shall deposit in the Interest Account and the Principal Account from time to time

the amounts required to be deposited therein from the Special Tax Fund pursuant to the provisions of the Indenture. In addition, to the extent Net Special Tax Revenues are insufficient to make the required deposits in the Interest Account on September 1, 2021, the Trustee shall transfer from the Capitalized Interest Account to the Interest Account the amount, if any, necessary to cause the amount on deposit in the Interest Account to be equal to the interest due on the Bonds on such dates. On September 2, 2021, the Trustee shall transfer any amounts then remaining in the Capitalized Interest Account to the Interest Account, and the Capitalized Interest Account shall be closed. There shall additionally be deposited in the Interest Account the portion, if any, of the proceeds of the sale of Additional Bonds required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

(b) In the event that, on the Business Day prior to an Interest Payment Date, amounts in the Interest Account are insufficient to pay the interest on the Bonds due and payable on such Interest Payment Date, the Trustee shall withdraw from the Reserve Fund, to the extent of any funds therein, the amount of such insufficiency, and shall transfer any amounts so withdrawn to the Interest Account.

(c) On each Interest Payment Date, the Trustee shall withdraw from the Interest Account for payment to the Owners of the Bonds the interest on the Bonds then due and payable.

(d) In the event that, on the Business Day prior to a September 1 on which principal of the Bonds is due and payable, including principal due and payable by reason of mandatory sinking fund redemption of the Bonds, amounts in the Principal Account are insufficient to pay such principal, after having withdrawn any amounts from the Reserve Fund required to be withdrawn therefrom on such date pursuant to the provisions of the Indenture as summarized herein under paragraph (b) above, the Trustee shall withdraw from the Reserve Fund, to the extent of any funds therein, the amount of such insufficiency, and shall transfer any amounts so withdrawn to the Principal Account.

(e) On each September 1 on which principal of the Bonds is due and payable, including principal due and payable by reason of mandatory sinking fund redemption of the Bonds, the Trustee shall withdraw from the Principal Account for payment to the Owners of the Bonds such principal then due and payable.

**Redemption Fund.** The Trustee shall establish and maintain a special fund designated the “Redemption Fund.” As soon as practicable after the receipt by the Community Facilities District of prepaid Special Taxes designated for redemption of Bonds, but in any event not later than ten Business Days after such receipt, the Community Facilities District shall transfer such prepaid Special Taxes to the Trustee for deposit in the Redemption Fund. Additionally, the Trustee shall deposit in the Redemption Fund amounts received from the Community Facilities District in connection with the Community Facilities District’s exercise of its rights to optionally redeem Series 2021 Bonds pursuant to the optional redemption provisions of the Indenture and any other amounts required to be deposited therein from the Reserve Fund pursuant to the provisions of the Indenture or pursuant to any Supplemental Indenture.

Amounts in the Redemption Fund shall be disbursed therefrom for the payment of the Redemption Price of Series 2021 Bonds redeemed pursuant to the optional redemption or mandatory redemption from Special Tax prepayment or One-Time Special Tax payment provisions of the Indenture and to pay the Redemption Price of Additional Bonds redeemed under the Supplemental Indenture pursuant to which such Additional Bonds are issued (other than mandatory sinking fund redemptions thereof).

**Reserve Fund.** (a) The Trustee shall establish and maintain a special fund designated the “Reserve Fund.” The Trustee shall deposit in the Reserve Fund from time to time the amounts required to be deposited therein from the Special Tax Fund pursuant to the provisions of the Indenture. There shall additionally be deposited in the Reserve Fund, in connection with the issuance of Additional Bonds, the amount required

to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

(b) Except as otherwise provided in the provisions of the Indenture summarized under this heading (“– Reserve Fund”), all amounts deposited in the Reserve Fund shall be used and withdrawn by the Trustee 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 on the Bonds or, in accordance with the provisions of the Indenture summarized under this heading (“– Reserve Fund”), for the purpose of redeeming Bonds. Transfers shall be made from the Reserve Fund to the Bond Fund in the event of a deficiency in the Bond Fund, in accordance with the provisions of the Indenture as summarized herein under the heading “SECURITY FOR BONDS; FLOW OF FUNDS; INVESTMENTS – Bond Fund.”

So long as no Event of Default shall have occurred and be continuing, any amount in the Reserve Fund in excess of the Reserve Requirement on September 2 of each year shall be withdrawn from the Reserve Fund by the Trustee and shall, prior to the date on which a Written Certificate of the Community Facilities District is delivered to the Trustee pursuant to the provisions of the Indenture summarized herein under paragraph (c) of the heading “SECURITY FOR BONDS; FLOW OF FUNDS; INVESTMENTS – Improvement Fund,” be deposited in the Improvement Fund and, thereafter, shall be deposited in the Interest Account of the Bond Fund. Notwithstanding the foregoing, before any such deposit shall be made, such amount shall be available for the payment of any rebate that may be owed under the Code, as specified in a Written Request of the Community Facilities District delivered to the Trustee on or before September 2 of each year.

Whenever the balance in the Reserve Fund 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 Trustee shall, upon receipt of a Written Request of the Community Facilities District, transfer the amount in the Reserve Fund to the Bond Fund or Redemption Fund, as applicable, to be applied, on the next succeeding Interest Payment Date to the payment and redemption of all of the Outstanding Bonds.

Whenever Bonds are to be redeemed pursuant to the optional redemption or mandatory redemption from Special Tax prepayment or One-Time Special Tax payment provisions of the Indenture or the corresponding provisions of a Supplemental Indenture, a proportionate share, determined as provided below, of the amount on deposit in the Reserve Fund shall, on the Business Day prior to the date on which such Bonds are to be redeemed, be transferred by the Trustee from the Reserve Fund to the Redemption Fund and shall be applied to the redemption of said Bonds; provided, however, that such amount shall be so 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). Such proportionate share shall be equal to the largest integral multiple of the minimum Authorized Denomination for said Bonds that is not larger than the amount equal to the product of (i) the amount on deposit in the Reserve Fund on the date of such transfer, times (ii) a fraction, the numerator of which is the principal amount of Bonds to be so redeemed and the denominator of which is the principal amount of Bonds to be Outstanding on the day prior to the date on which such Bonds are to be so redeemed.

**Rebate Fund.** (a) The Trustee shall establish and maintain a special fund designated the “Rebate Fund” when and if needed. There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate, as specified in a Written Request of the Community Facilities District. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of America. Notwithstanding defeasance of the Bonds pursuant to the provisions of the Indenture described under the heading “DEFEASANCE,” or anything to the contrary contained in the Indenture, all amounts required to

be deposited into or on deposit in the Rebate Fund shall be governed exclusively by the provisions of the Indenture as summarized herein under this heading (“–Rebate Fund”) and by the Tax Certificate (which is incorporated in the Indenture by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Community Facilities District, and shall have no liability or responsibility to enforce compliance by the Community Facilities District with the terms of the Tax Certificate. The Trustee may conclusively rely upon the Community Facilities District’s determinations, calculations and certifications required by the Tax Certificate. The Trustee shall have no responsibility to independently make any calculation or determination or to review the Community Facilities District’s calculations.

(b) Any funds remaining in the Rebate Fund after payment in full of all of the Bonds and after payment of any amounts described in the provisions of the Indenture as summarized herein under this heading (“–Rebate Fund”), shall, upon receipt by the Trustee of a Written Request of the Community Facilities District, be withdrawn by the Trustee and remitted to the Community Facilities District.

**Administrative Expense Fund.** The Trustee shall establish and maintain a special fund designated the “Administrative Expense Fund.” The Trustee shall additionally deposit in the Administrative Expense Fund the amounts transferred from the Special Tax Fund and required to be deposited therein pursuant to the provisions of the Indenture.

(b) The moneys in the Administrative Expense Fund shall be used and withdrawn by the Trustee from time to time to pay the Administrative Expenses upon submission of a Written Request of the Community Facilities District stating: (a) the Person to whom payment is to be made; (b) the amount to be paid; (c) the purpose for which the obligation was incurred and that such purpose constitutes an Administrative Expense; (d) that such payment is a proper charge against the Administrative Expense Fund; and (e) that such amounts have not been the subject of a prior disbursement from the Administrative Expense Fund; in each case together with a statement or invoice for each amount requested thereunder.

**Surplus Fund.** The Trustee shall establish and maintain a special fund designated the “Surplus Fund.” The Trustee shall deposit in the Surplus Fund the amounts transferred from the Special Tax Fund and required to be deposited therein pursuant to the provisions of the Indenture. The moneys in the Surplus Fund shall be used and withdrawn by the Trustee from time to time, upon receipt of a Written Request of the Community Facilities District, directing the Trustee to transfer the amount so specified in such Written Request to: (i) the Redemption Fund to redeem Bonds; or (ii) transfer such amount to the Community Facilities District to be applied to the payment of costs of facilities authorized to be financed by the Community Facilities District pursuant to the Resolution of Formation.

**Costs of Issuance Fund.** The Trustee shall establish and maintain a separate fund designated the “Costs of Issuance Fund.”

The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the Community Facilities District stating: (a) the Person to whom payment is to be made; (b) the amount to be paid; (c) the purpose for which the obligation was incurred; (d) that such payment is a proper charge against the Costs of Issuance Fund; and (e) that such amounts have not been the subject of a prior disbursement from the Costs of Issuance Fund, in each case together with a statement or invoice for each amount requested thereunder. On the last Business Day that is no later than six months after the Closing Date, the Trustee shall transfer any amount remaining in the Costs of Issuance Fund to the Improvement Fund and, upon making such transfer, the Costs of Issuance Fund shall be closed.

If the Costs of Issuance Fund has been closed in accordance with the provisions of the Indenture, the Costs of Issuance Fund shall be reopened and reestablished by the Trustee in connection with the

issuance of any Additional Bonds, if so provided in the Supplemental Indenture pursuant to which such Additional Bonds are issued.

**Improvement Fund.** (a) The Trustee shall establish and maintain a separate fund designated the “Improvement Fund.” The Trustee shall establish, as needed, separate subaccounts within the Improvement Fund to permit the separate accounting for amounts derived from Bond proceeds and from Special Taxes.

(b) The moneys in the Improvement Fund shall be used and withdrawn by the Trustee from time to time to pay the costs of the Facilities upon submission of a Written Request of the Community Facilities District stating (i) the Person to whom payment is to be made, (ii) the amount to be paid, (iii) the purpose for which the obligation was incurred, (iv) that such payment constitutes a cost of the Facilities and is a proper charge against the Improvement Fund, and (v) that such amounts have not been the subject of a prior disbursement from the Improvement Fund.

(c) Upon the filing of a Written Certificate of the Community Facilities District stating (i) that the Facilities to be financed from the Improvement Fund have been completed and that all costs of such Facilities have been paid, or (ii) that the Facilities have been substantially completed and that all remaining costs of the Facilities have been determined and specifying the amount to be retained therefor, the Trustee shall (A) if the amount remaining in the Improvement Fund (less any such retention) is equal to or greater than \$25,000, transfer the portion of such amount equal to the largest integral multiple of \$5,000 that is not greater than such amount to the Redemption Fund, to be applied to the redemption of Bonds, and (B) after making the transfer, if any, required to be made pursuant to the preceding clause (A), transfer all of the amount remaining in the Improvement Fund (less any such retention) to the Interest Account of the Bond Fund, to be applied to the payment of interest on the Bonds.

**Investment of Moneys.** Except as otherwise provided in the Indenture, all moneys in any of the funds or accounts established pursuant to the Indenture and held by the Trustee shall be invested by the Trustee solely in Permitted Investments, as directed in writing by the Community Facilities District two Business Days prior to the making of such investment. Moneys in all funds and accounts held by the Trustee shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Indenture; provided, however, that Permitted Investments in which moneys in the Reserve Fund are so invested shall mature no later than the earlier of five years from the date of investment or the final maturity date of the Bonds; provided, further, that if such Permitted Investments may be redeemed at par so as to be available on each Interest Payment Date, any amount in the Reserve Fund may be invested in such redeemable Permitted Investments maturing on any date on or prior to the final maturity date of the Bonds. Absent timely written direction from the Community Facilities District, the Trustee shall invest any funds held by it in Permitted Investments described in clause (e) of the definition thereof.

Subject to the provisions of the Indenture as summarized herein under the heading “SECURITY FOR BONDS; FLOW OF FUNDS; INVESTMENTS – Rebate Fund,” all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture (other than the Reserve Fund) shall be retained therein. Subject to the provisions of the Indenture as summarized herein under the heading “SECURITY FOR BONDS; FLOW OF FUNDS; INVESTMENTS – Rebate Fund,” all interest, profits or other income received from the investment of moneys in the Reserve Fund shall, prior to the date on which a Written Certificate of the Community Facilities District is delivered to the Trustee pursuant to the provisions of the Indenture as summarized herein under paragraph (c) of the heading “SECURITY FOR BONDS; FLOW OF FUNDS; INVESTMENTS – Improvement Fund,” be transferred to the Improvement Fund and, thereafter, shall be transferred to the Interest Account of the Bond Fund; provided, however, that, notwithstanding the foregoing, any such transfer shall be made only if and to the extent that, after such transfer, the amount on deposit in the Reserve Fund is at least equal to the Reserve Requirement.

Permitted Investments acquired as an investment of moneys in any fund or account established under the Indenture shall be credited to such fund or account. For the purpose of determining the amount in any fund or account, all Permitted Investments credited to such fund shall be valued by the Trustee at the market value thereof, such valuation to be performed not less frequently than semiannually on or before each February 15 and August 15. The Trustee may utilize and rely upon securities pricing services available to it for such valuations, including those available through the Trustee's accounting system.

The Trustee may act as principal or agent in the making or disposing of any investment. Upon the Written Request of the Community Facilities District, the Trustee shall sell or present for redemption any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investments is credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to the provisions of the Indenture summarized herein under this heading (“– Investment of Moneys”). For purposes of investment, the Trustee may commingle moneys in any of the funds and accounts established under the Indenture.

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

**State Reporting.** If at any time the Trustee fails to pay principal or interest due on any scheduled payment date for the Bonds, or if funds are withdrawn from the Reserve Fund to pay principal or interest on the Bonds, the Trustee shall notify the Community Facilities District in writing of such failure or withdrawal, and the Community Facilities District shall notify the California Debt and Investment Advisory Commission of such failure or withdrawal within 10 days of the failure to make such payment or the date of such withdrawal.

## COVENANTS

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

Prior to August 1 of each year, the Community Facilities District shall ascertain from the County Assessor the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year. The Community Facilities District shall 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, the Community Facilities District shall prepare or cause to be prepared, and shall 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.

The Community Facilities District shall fix and levy the amount of Special Taxes within the Community Facilities District in accordance with the Rate and Method and, subject to the limitations in the Rate and Method as to the maximum Special Tax that may be levied, in an amount sufficient to yield the amount required for the payment of principal of and interest on any Outstanding Bonds becoming due and payable during the Bond Year commencing in such Fiscal Year, the amount required for any necessary

replenishment of the Reserve Fund and the amount estimated to be sufficient to pay the Administrative Expenses during such year, taking into account the balances in the funds and accounts established under the Indenture. The Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and 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.

**Foreclosure.** Pursuant to Section 53356.1 of the Act, the Community Facilities District covenants with and for the benefit of the Owners of the Bonds that it will determine or cause to be determined, no later than February 15 and June 15 of each year, whether or not any owners of property within the Community Facilities District are delinquent in the payment of Special Taxes and, subject to the following paragraph, if such delinquencies exist, the Community Facilities District will order and cause to be commenced no later than April 1 (with respect to the February 15 determination date), or August 1 (with respect to the June 15 determination date), and thereafter diligently prosecute, an action in the superior court to foreclose the lien of any Special Taxes or installment thereof not paid when due.

Notwithstanding the foregoing, however, the Community Facilities District shall not be required to order the commencement of foreclosure proceedings under the preceding paragraph, if (i) the total Special Tax delinquency in the Community Facilities District for such Fiscal Year is less than 5% of the total Special Tax levied in such Fiscal Year, and (ii) no draw has been made on the Reserve Fund that has not been replenished. However, if the Community Facilities District determines that any single property owner in the Community Facilities District is delinquent in the aggregate in excess of \$5,000 in the payment of the Special Tax, then the Community Facilities District will diligently institute, prosecute and pursue foreclosure proceedings against such property owner, notwithstanding the first sentence of this paragraph.

**Punctual Payment.** The Community Facilities District shall punctually pay or cause to be paid the principal, premium, if any, and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Net Special Tax Revenues and other assets pledged for such payment as provided in the Indenture and received by the Community Facilities District or the Trustee.

**Extension of Payment of Bonds.** The Community Facilities District shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in the provisions of the Indenture summarized under this paragraph shall be deemed to limit the right of the Community Facilities District to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

**Against Encumbrances.** The Community Facilities District shall not create, or permit the creation of, any pledge, lien, charge, or other encumbrance upon the Special Tax Revenues and other assets pledged under the Indenture while any of the Bonds are Outstanding, except as permitted by the Indenture.

**Power to Issue Bonds and Make Pledge.** The Community Facilities District is duly authorized pursuant to the Act to issue the Bonds and to enter into the Indenture and to pledge the Net Special Tax Revenues and other assets pledged under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid, and binding special obligations of the Community Facilities District in accordance with their terms, and the Community Facilities District and the Trustee (subject to the provisions of the Indenture as summarized herein under

the heading “TRUSTEE”) shall at all times, to the extent permitted by law, defend, preserve and protect said pledge of Net Special Tax Revenues and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all Persons whomsoever.

**Accounting Records and Financial Statements.** The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with prudent corporate trust industry standards, in which accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds, the Special Tax Revenues and all funds and accounts established by it pursuant to the Indenture. Such books of record and account shall be available for inspection by the Community Facilities District, during regular business hours and upon reasonable notice and under reasonable circumstances as agreed to by the Trustee. The Trustee shall deliver to the Community Facilities District a monthly accounting of the funds and accounts it holds under the Indenture; provided, however, that the Trustee shall not be obligated to deliver an accounting for any fund or account that (a) has a balance of zero, and (b) has not had any activity since the last reporting date.

**Tax Covenants.** (a) The Community Facilities District shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Series 2021 Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the Community Facilities District shall comply with the requirements of the Tax Certificate, which is incorporated in the Indenture as if fully set forth in the Indenture. The covenant summarized under this heading (“– Tax Covenants”) shall survive payment in full or defeasance of the Series 2021 Bonds.

(b) In the event that at any time the Community Facilities District is of the opinion that for purposes of the provisions of the Indenture summarized under this heading (“– Tax Covenants”) it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee in any of the funds or accounts established under the Indenture, the Community Facilities District shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(c) Notwithstanding any provisions of the Indenture summarized under this heading (“– Tax Covenants”), if the Community Facilities District shall provide to the Trustee an opinion of Bond Counsel to the effect that any specified action required under such provisions of the Indenture is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Series 2021 Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of such provisions of the Indenture and of the Tax Certificate, and the covenants under the Indenture shall be deemed to be modified to that extent.

**Continuing Disclosure.** (a) The Community Facilities District shall comply with and carry out all of the provisions of the District Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the Community Facilities District to comply with the District Continuing Disclosure Agreement shall not be considered an Event of Default; provided, however, that the Trustee may (and, at the written direction of any of the Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Series 2021 Bonds, and upon indemnification of the Trustee to its reasonable satisfaction, shall) or any holder or beneficial owner of the Series 2021 Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

(b) The Developer has agreed to enter into the Developer Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the Developer to comply with the Developer Continuing Disclosure Agreement shall not be considered an Event of Default; provided, however, that the Trustee may (and, at the written direction of any of the Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Series 2021 Bonds, and upon indemnification of the

Trustee to its reasonable satisfaction, shall) or any holder or beneficial owner of the Series 2021 Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

**Annual Reports to the California Debt and Investment Advisory Commission.** Not later than October 30 of each year, commencing October 30, 2021 and until the October 30 following the final maturity of the Bonds, the Community Facilities District shall supply to the California Debt and Investment Advisory Commission the information required to be provided thereto pursuant to Section 53359.5(b) of the Act. Such information shall be made available to any Owner upon written request to the Community Facilities District accompanied by a fee determined by the Community Facilities District to pay the costs of the Community Facilities District in connection therewith. The Community Facilities District shall in no event be liable to any Owner or any other person or entity in connection with any error in any such information.

**Non-Cash Payments of Special Taxes.** The Community Facilities District shall not authorize owners of taxable parcels within the Community Facilities District to satisfy Special Tax obligations by the tender of Bonds unless the Community Facilities District shall have first obtained a report of an Independent Consultant certifying that doing so would not result in the Community Facilities District having insufficient Special Tax Revenues to pay the principal of and interest on all Outstanding Bonds when due.

**Reduction in Special Taxes.** The Community Facilities District shall not initiate proceedings under the Act to modify the Rate and Method 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 in a manner that would adversely affect the security for the Bonds, the Community Facilities District shall, to the extent permitted by law, commence and pursue reasonable legal actions to prevent the modification of the Rate and Method in a manner that would adversely affect the security for the Bonds.

**Further Assurances.** The Community Facilities District shall make, execute and deliver any and all such further agreements, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Indenture.

## **EVENTS OF DEFAULT AND REMEDIES**

**Events of Default.** The following events shall be Events of Default:

(a) Failure to pay any installment of principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption or otherwise.

(b) Failure to pay any installment of interest on any Bonds when and as the same shall become due and payable.

(c) Failure by the Community Facilities District to observe and perform any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such failure shall have continued for a period of 60 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Community Facilities District by the Trustee or the Owners of not less than 5% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, if in the reasonable opinion of the Community Facilities District the failure stated in the notice can be corrected, but not within such 60 day period, such failure shall not constitute an Event of Default if corrective action is instituted

by the Community Facilities District within such 60 day period and the Community Facilities District shall thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The Community Facilities District or the City shall commence a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

**Foreclosure.** If any Event of Default shall occur under the provisions of the Indenture as summarized herein under paragraphs (a) or (b) under the heading “EVENTS OF DEFAULT AND REMEDIES – Events of Default” then, and in each and every such case during the continuance of such Event of Default, the Trustee may, or at the written direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, and upon being indemnified to its satisfaction therefor, shall, commence foreclosure against any parcels of land in the Community Facilities District with delinquent Special Taxes, as provided in Section 53356.1 of the Act; provided, however, that the Trustee need not commence any such foreclosure if such foreclosure has been commenced by the Community Facilities District.

**Other Remedies.** If an Event of Default shall have occurred under the Indenture, the Trustee shall have the right:

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

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

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

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

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

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

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

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

(c) Any remaining funds shall be transferred by the Trustee to the Special Tax Fund.

**Power of Trustee to Enforce.** All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of the Owners of such Bonds, subject to the provisions of the Indenture.

**Bond Owners' Direction of Proceedings.** Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to any Owners of Bonds not parties to such direction.

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

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb, or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, the Indenture, the Act or other applicable law with respect to the Bonds, except in the manner in the Indenture provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner in the Indenture provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

**Absolute Obligation.** Nothing in the provisions of the Indenture summarized under the heading (“EVENTS OF DEFAULTS AND REMEDIES – Limitation on Bond Owners' Right to Sue”) above or in any other provision of the Indenture or in the Bonds contained shall affect or impair the obligation of the Community Facilities District, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Indenture, but only out of the Net Special Tax Revenues and other assets

pledged in the Indenture therefor and received by the Community Facilities District or the Trustee, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

**Termination of Proceedings.** In case any proceedings taken by the Trustee or any one or more Owners of Bonds on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Owners of Bonds, then in every such case the Community Facilities District, the Trustee and the Owners of Bonds, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers, and duties of the Community Facilities District, the Trustee and the Owners of Bonds shall continue as though no such proceedings had been taken.

**Remedies Not Exclusive.** No remedy in the Indenture conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

**No Waiver of Default.** No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy given by the Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

## **TRUSTEE**

**Duties and Liabilities of Trustee.** (a) *Duties of Trustee Generally.* The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured or waived, exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such persons own affairs.

(b) *Removal of Trustee.* The Community Facilities District may upon 30 days prior written notice remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with the provisions of the Indenture summarized herein under paragraph (e) below, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation, or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon shall appoint a successor Trustee by an instrument in writing.

(c) *Resignation of Trustee.* The Trustee may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the Community Facilities District, and to the Owners of Bonds at the respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Community Facilities District shall promptly appoint a successor Trustee by an instrument in writing. The Trustee shall not be relieved of its duties until such successor Trustee has accepted appointment.

(d) *Appointment of Successor Trustee.* Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee; provided, however, that under any circumstances the successor Trustee shall be qualified as provided in the provisions of the Indenture summarized herein under paragraph (e) below. If no qualified successor Trustee shall have been appointed and have accepted appointment within 45 days following giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner of Bonds (on behalf of himself and all other Owners of Bonds) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Community Facilities District and to its predecessor Trustee a written acceptance thereof, and after payment by the Community Facilities District of all unpaid fees and expenses of the predecessor Trustee, then such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties, and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless at the Written Request of the Community Facilities District or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign, and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon request of the successor Trustee, the Community Facilities District shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties, and obligations. Upon acceptance of appointment by a successor Trustee as provided in the Indenture as summarized herein under this paragraph, the Community Facilities District shall mail or cause the successor Trustee to mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts under the Indenture to each rating agency which then maintains a rating on the Bonds and to the Owners of Bonds at the addresses shown on the Registration Books. If the Community Facilities District fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Community Facilities District.

(e) *Qualifications of Trustee.* The Trustee shall be a trust company or bank having trust powers in good standing in or incorporated under the laws of the United States or any state thereof, having (or if such bank or trust company is a member of a bank holding company system, its parent bank holding company shall have) a combined capital and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state agency. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then for the purpose of the Indenture as summarized herein under this paragraph the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of the Indenture as summarized under this paragraph (e), the Trustee shall resign immediately in the manner and with the effect specified in the provisions of the Indenture as summarized herein under the heading “TRUSTEE – Duties and Liabilities of the Trustee.”

**Merger or Consolidation.** Any bank or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or trust company shall be eligible under the Indenture shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

**Liability of Trustee.** (a) The recitals of facts in the Indenture and in the Bonds contained shall be taken as statements of the Community Facilities District, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Indenture or of the Bonds or shall incur any responsibility in respect thereof, other than as expressly stated in the Indenture in connection with the respective duties or obligations in the Indenture or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee makes no representations as to the validity or sufficiency of the Indenture or of any Bonds, or in respect of the security afforded by the Indenture and the Trustee shall incur no responsibility in respect thereof. The Trustee shall be under no responsibility or duty with respect to the issuance of the Bonds for value, the application of the proceeds thereof except to the extent that such proceeds are received by it in its capacity as Trustee, or the application of any moneys paid to the Community Facilities District or others in accordance with the Indenture. The Trustee shall not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct. The Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Bonds, whether or not such committee shall represent the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

(d) No provision of the Indenture shall require the Trustee to risk or advance its own funds. The Trustee may execute any of its powers or duties under the Indenture through attorneys, agents or receivers and shall not be answerable for the actions of such attorneys, agents, or receivers if selected by it with reasonable care.

(e) The Trustee shall not be deemed to have knowledge of an Event of Default under the Indenture unless it has actual knowledge thereof.

(f) The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement or any other disclosure material prepared or distributed with respect to the Bonds.

## **MODIFICATION OR AMENDMENT**

**Amendments Permitted.** (a) The Indenture and the rights and obligations of the Community Facilities District, the Owners of the Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Community Facilities District and the Trustee may enter into with the written consent of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, which shall have been filed with the Trustee. No such modification or amendment shall (i) extend the fixed maturity of any Bonds, reduce the amount of principal thereof or the rate of interest thereon, alter the redemption provisions thereof or extend the time of payment thereof, without the consent

of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, without the consent of the Owners of all of the Bonds then Outstanding, or (iii) permit the creation of any lien on the Net Special Tax Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture or deprive the Owners of the Bonds of the lien created by the Indenture on such Net Special Tax Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Owners of Bonds to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

(b) The Indenture and the rights and obligations of the Community Facilities District, the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Community Facilities District and the Trustee may enter into without the consent of any Owners of Bonds for any one or more of the following purposes:

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

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency, or omission, or of curing or correcting any defective provision contained in the Indenture;

(iii) to provide for the issuance of one or more Series of Additional Bonds, and to provide the terms and conditions under which such Series of Additional Bonds may be issued, subject to and in accordance with the provisions of the Indenture as summarized herein under the heading "ISSUANCE OF BONDS; APPLICATION OF PROCEEDS; ADDITIONAL BONDS";

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

(v) to modify, amend or supplement the Indenture in such manner as to cause interest on the Bonds to be excludable from gross income for purposes of federal income taxation by the United States of America; and

(vi) in any other respect whatsoever as the Community Facilities District may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Owners of Bonds under the Indenture.

(c) Promptly after the execution by the Community Facilities District and the Trustee of any Supplemental Indenture, the Trustee shall mail a notice (the form of which shall be furnished to the Trustee by the Community Facilities District), by first class mail postage prepaid, setting forth in general terms the substance of such Supplemental Indenture, to the Owners of the Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

**Effect of Supplemental Indenture.** Upon the execution of any Supplemental Indenture pursuant to the provisions of the Indenture summarized herein under the heading "MODIFICATION OR AMENDMENT," the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties, and obligations under the Indenture of the Community Facilities District, the

Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised, and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

**Endorsement of Bonds; Preparation of New Bonds.** Bonds delivered after the execution of any Supplemental Indenture pursuant to the Indenture as summarized herein under the heading “MODIFICATION OR AMENDMENT” may, and if the Community Facilities District so determines shall, bear a notation by endorsement or otherwise in form approved by the Community Facilities District and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Office of the Trustee a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Community Facilities District and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Community Facilities District and authenticated by the Trustee, and upon demand of the Owners of any Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same interest rate and maturity.

**Amendment of Particular Bonds.** The provisions of the Indenture as summarized herein under the heading “MODIFICATION OR AMENDMENT” shall not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

## **DEFEASANCE**

**Discharge of Indenture.** If the Community Facilities District shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the principal thereof and the interest and premium, if any, thereon at the times and in the manner stipulated in the Indenture and therein, then the Owners of such Bonds shall cease to be entitled to the pledge of the Net Special Tax Revenues and the other assets as provided in the Indenture, and all agreements, covenants and other obligations of the Community Facilities District to the Owners of such Bonds under the Indenture shall thereupon cease, terminate, and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Community Facilities District all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the Community Facilities District all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of and interest and premium, if any, on such Bonds.

Subject to the provisions of the above paragraph, when any of the Bonds shall have been paid and if, at the time of such payment, the Community Facilities District shall have kept, performed and observed all of the covenants and promises in such Bonds and in the Indenture required or contemplated to be kept, performed and observed by the Community Facilities District or on its part on or prior to that time, then the Indenture shall be considered to have been discharged in respect of such Bonds and such Bonds shall cease to be entitled to the lien of the Indenture and such lien and all covenants, agreements and other obligations of the Community Facilities District under shall cease, terminate become void and be completely discharged as to such Bonds.

Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Trustee

and the Owners of the Bonds and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of and interest and premium, if any, on the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the compensation of the Trustee shall remain in effect and shall be binding upon the Trustee and the Community Facilities District.

**Bonds Deemed To Have Been Paid.** If moneys shall have been set aside and held by the Trustee for the payment or redemption of any Bonds and the interest thereon at the maturity or redemption date thereof, such Bonds shall be deemed to have been paid within the meaning and with the effect provided in the Indenture as summarized herein under the heading “DEFEASANCE – Discharge of Indenture.” Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the Indenture as summarized herein under the heading “DEFEASANCE – Discharge of Indenture” if (a) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Community Facilities District shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of the Indenture, notice of redemption of such Bonds on said redemption date, said notice to be given in accordance with the Indenture, (b) there shall have been deposited with the Trustee either (i) money in an amount which shall be sufficient, or (ii) Federal Securities that are not subject to redemption other than at the option of the holder thereof, the interest on and principal of which when paid will provide money which, together with the money, if any deposited with the Trustee at the same time, shall, as verified by an independent certified public accountant, be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and premium, if any, on such Bonds, which sufficiency shall be verified in a report of an independent firm of nationally recognized certified public accountants, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Community Facilities District shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the owners of such Bonds that the deposit required by clause (b) above has been made with the Trustee and that such Bonds, are deemed to have been paid in accordance with the provisions of the Indenture as summarized herein under this paragraph and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and premium, if any, on such Bonds.

**Payment of Bonds After Discharge of Indenture.** Notwithstanding any provisions of the Indenture, to the extent permitted by law, any moneys held by the Trustee in trust for the payment of the principal of, or premium or interest on, any Bonds and remaining unclaimed for two years after the date of deposit of such moneys, shall be repaid to the Community Facilities District free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Community Facilities District as aforesaid, the Trustee may (at the cost of the Community Facilities District) first mail, by first class mail postage prepaid, to the Owners of Bonds which have not yet been paid, at the respective addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Community Facilities District of the moneys held for the payment thereof.

## MISCELLANEOUS

**Special Obligations.** All obligations of the Community Facilities District under the Indenture shall be special obligations of the Community Facilities District, payable solely from Special Tax Revenues and the other assets pledged therefor under the Indenture; provided, however, that all obligations of the Community Facilities District under the Bonds shall be special obligations of the Community Facilities District, payable solely from Net Special Tax Revenues and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Community Facilities District (except to

the limited extent set forth in the Indenture), the City, or the State of California, or any political subdivision thereof, is pledged to the payment of the Bonds.

**Successor Is Deemed Included in All References to Predecessor.** Whenever in the Indenture either the Community Facilities District or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in the Indenture contained required by the Indenture to be performed by or on behalf of the Community Facilities District or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

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

**Waiver of Notice; Requirement of Mailed Notice.** Whenever in the Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the Person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in the Indenture any notice shall be required to be given by mail, such requirement shall be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

**Destruction of Bonds.** Whenever in the Indenture provision is made for the cancellation by the Trustee and the delivery to the Community Facilities District of any Bonds, the Trustee shall, in lieu of such cancellation and delivery, destroy such Bonds.

**Severability of Invalid Provisions.** If any one or more of the provisions contained in the Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in the Indenture and such invalidity, illegality, or unenforceability shall not affect any other provision of the Indenture, and the Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained in the Indenture. The Community Facilities District declares that it would have entered into the Indenture and each and every other Section, subsection, paragraph, sentence, clause or phrase of the Indenture and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, subsections, paragraphs, sentences, clauses or phrases of the Indenture may be held illegal, invalid or unenforceable.

**Evidence of Rights of Bond Owners.** Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by Owners of Bonds may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Owners of Bonds in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any Person of Bonds transferable by delivery, shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Trustee and the Community Facilities District if made in the manner provided in the provisions of the Indenture summarized herein under this paragraph. The fact and date of the execution by any Person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the Person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer. The ownership of Bonds shall be proved by the Registration

Books. Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Community Facilities District in accordance therewith or reliance thereon.

**Disqualified Bonds.** In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the Community Facilities District, or by any other obligor on the Bonds, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Community Facilities District or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of the provisions of the Indenture summarized under this paragraph if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Community Facilities District or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

**Money Held for Particular Bonds.** The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of the Indenture as summarized herein under the heading "DEFEASANCE – Payment of Bonds After Discharge of Indenture" but without any liability for interest thereon.

**Funds and Accounts.** Any fund or account required by the Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with prudent corporate trust industry standards to the extent practicable, and with due regard for the requirements of the Indenture and for the protection of the security of the Bonds and the rights of every Owner thereof. The Trustee may establish any such additional funds or accounts as it deems necessary to perform its obligations under the Indenture.

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

**Waiver of Personal Liability.** No member, trustee, officer, agent or employee of the Community Facilities District or the City shall be individually or personally liable for the payment of the principal of or premium or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing contained in the Indenture shall relieve any such member, trustee, officer, agent or employee from the performance of any official duty provided by law or by the Indenture.

**Conflict with Act.** In the event of any conflict between any provision of the Indenture and any provision of the Act, the provision of the Act shall prevail over the provision of the Indenture.

**Conclusive Evidence of Regularity.** Bonds issued pursuant to the Indenture shall constitute evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Special Taxes.

**Governing Laws.** The Indenture shall be governed by and construed in accordance with the laws of the State of California.

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**APPENDIX E**

**PROPOSED FORM OF OPINION OF BOND COUNSEL**

*Upon the delivery of the Series 2021 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Community Facilities District, proposes to render its final approving opinion with respect to the Series 2021 Bonds in substantially the following form:*

[Date of Delivery]

City of Rancho Mirage  
Community Facilities District No. 4B (Del Webb Project)  
Rancho Mirage, California

City of Rancho Mirage Community Facilities District No. 4B (Del Webb Project)  
Special Tax Bonds, Series 2021  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Rancho Mirage Community Facilities District No. 4B (Del Webb Project) (the “Community Facilities District”) in connection with the issuance of \$\_\_\_\_\_ aggregate principal amount of City of Rancho Mirage Community Facilities District No. 4B (Del Webb Project) Special Tax Bonds, Series 2021 (the “Series 2021 Bonds”), issued pursuant to an Indenture, dated as of April 1, 2021 (the “Indenture”), by and between the Community Facilities District and U.S. Bank National Association, as trustee (the “Trustee”). Capitalized terms not otherwise defined herein have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate, opinions of counsel to the Community Facilities District and the Trustee, certificates of the Community Facilities District, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Series 2021 Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Series 2021 Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series 2021 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the Community Facilities District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the

documents and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2021 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2021 Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities such as the Community Facilities District in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or having the effect of a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Furthermore, we express no opinion with respect to the plans, specifications, maps, reports or other engineering or financial details of the proceedings, or upon the Rate and Method or the validity of the Special Taxes levied upon any individual parcel. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2021 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2021 Bonds constitute valid and binding special obligations of the Community Facilities District, payable, as provided in the Indenture, solely from Net Special Tax Revenues and the other assets pledged therefor under the Indenture.
2. The Indenture has been duly executed and delivered by, and constitutes a valid and binding obligation of, the Community Facilities District.
3. Interest on the Series 2021 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Series 2021 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2021 Bonds.

Faithfully yours,

## APPENDIX F

### DTC AND THE BOOK ENTRY SYSTEM

The following information concerning The Depository Trust Company (“DTC”) and DTC’s book-entry system has been obtained from sources that the Community Facilities District and the Underwriter believe to be reliable. The Community Facilities District and the Underwriter undertake no responsibility for, and make no representations as to the accuracy or completeness of, such information.

NEITHER THE COMMUNITY FACILITIES DISTRICT NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2021 BONDS UNDER THE INDENTURE; (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2021 BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT TO THE OWNERS OF THE SERIES 2021 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF SERIES 2021 BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

The Depository Trust Company, New York, New York, will act as securities depository for the Series 2021 Bonds. The Series 2021 Bonds will be issued as full-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 full-registered Series 2021 Bond certificate will be issued for each maturity of the Series 2021 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC or held by the Trustee.

DTC is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). The information on such website is not incorporated by reference herein.

Purchases of the Series 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2021 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 Series 2021 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 or certificates representing their ownership interests in the Series 2021 Bonds, except in the event that use of the book-entry system for the Series 2021 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2021 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 Series 2021 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 Series 2021 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2021 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.

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 the Series 2021 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2021 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture and the Facility Lease. For example, Beneficial Owners of the Series 2021 Bonds may wish to ascertain that the nominee holding the Series 2021 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.

While the Series 2021 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2021 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2021 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 issuer, 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 Series 2021 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest payments on the Series 2021 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Community Facilities District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Community Facilities District, or the Trustee, subject to any statutory or regulatory

requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest 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 the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2021 Bonds at any time by giving reasonable notice to the Community Facilities District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2021 Bond certificates are required to be printed and delivered.

The Community Facilities District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). DTC's procedures provide that upon receipt of a withdrawal request from an issuer, DTC will take the following actions: (1) DTC will issue an Important Notice notifying its participants of the receipt of a withdrawal request from the issuer reminding participants that they may utilize DTC's withdrawal procedures if they wish to withdraw their securities from DTC; and (2) DTC will process withdrawal requests submitted by participants in the ordinary course of business, but will not effectuate withdrawals based upon a request from the issuer. In that event, Series 2021 Bond certificates will be printed and delivered to DTC.

The information in this APPENDIX F concerning DTC and DTC's book-entry system has been obtained from sources that the Community Facilities District believes to be reliable, but the Community Facilities District takes no responsibility for the accuracy thereof.

**BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF SERIES 2021 BONDS AND WILL NOT BE RECOGNIZED BY THE TRUSTEE AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE PARTICIPANTS.**

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**APPENDIX G**

**FORM OF DISTRICT CONTINUING DISCLOSURE AGREEMENT**

THIS CONTINUING DISCLOSURE AGREEMENT (this “Disclosure Agreement”), dated as of April 1, 2021, is by and between the City of Rancho Mirage Community Facilities District No. 4B (Del Webb Project) (the “Community Facilities District”), and Willdan Financial Services, as disclosure dissemination agent (the “Dissemination Agent” as defined below).

W I T N E S S E T H :

WHEREAS, pursuant to the Indenture, dated as of April 1, 2021 (the “Indenture”) by and between the Community Facilities District and U.S. Bank National Association, as trustee (the “Trustee”), the Community Facilities District has issued its City of Rancho Mirage Community Facilities District No. 4B (Del Webb Project) Special Tax Bonds, Series 2021 (the “Series 2021 Bonds”), in the aggregate principal amount of \$ \_\_\_\_\_; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the Community Facilities District and the Dissemination Agent for the benefit of the Owners and Beneficial Owners of the Series 2021 Bonds and in order to assist the underwriter of the Series 2021 Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5);

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the receipt whereof is hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Disclosure Agreement have the meanings herein specified. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Indenture.

“Annual Report” means any Annual Report provided by the Community Facilities District pursuant to, and as described in, Sections 2 and 3 hereof.

“Annual Report Date” means the date in each year that is the first day of the month following the ninth month after the end of the Community Facilities District’s fiscal year, which date, as of the date of this Disclosure Agreement, is April 1.

“Disclosure Representative” means the Director of Administrative Services of the City or his or her designee, or such other officer or employee of the City as the City shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” means Willdan Financial Services, acting in its capacity as Dissemination Agent hereunder, or any successor dissemination agent appointed to act as Dissemination Agent in accordance with this Disclosure Agreement.

“Financial Obligation” means (a) a debt obligation of the Community Facilities District, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation of the Community Facilities District, or (c) a guarantee of (i) a debt obligation of the Community Facilities District, or (ii) a derivative instrument described in clause (b), above; provided, however, that the term “Financial Obligation” shall not include “municipal securities” (as such term is defined in the Securities Exchange Act of 1934, as amended) as to which a “final official statement” (as such term is defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Indenture” means the Indenture, dated as of April 1, 2021 by and between the Community Facilities District and U.S. Bank National Association, as trustee, as originally executed and as it may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

“Listed Events” means any of the events listed in subsection (a) or subsection (b) of Section 4 hereof.

“MSRB” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” means the Official Statement, dated April \_\_, 2021, relating to the Series 2021 Bonds.

“Participating Underwriter” means the original underwriter of the Series 2021 Bonds required to comply with the Rule in connection with the offering of the Series 2021 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.

“Trustee” means U.S. Bank National Association, as trustee under the Indenture, or any successor thereto as Trustee thereunder, substituted in its place as provided therein.

Section 2. Provision of Annual Reports. (a) The Community Facilities District shall, or shall cause the Dissemination Agent to, provide to the MSRB an Annual Report that is consistent with the requirements of Section 3 hereof, not later than the Annual Report Date, commencing with the report for the 2020-21 Fiscal Year (which is due no later than April 1, 2022). The Annual Report may include by reference other information as provided in Section 3 hereof; provided, however, that the audited financial statements of the Community Facilities District, if any, may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Community Facilities District’s fiscal year changes, it shall, or it shall instruct the Dissemination Agent to, give notice of such change in a filing with the MSRB.

(b) Not later than 15 business days prior to the date specified in subsection (a) of this Section for the providing of the Annual Report to the MSRB, the Community Facilities District shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Community Facilities District and the Dissemination Agent to determine if the Community Facilities District is in compliance with the first sentence of this subsection (b).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a) of this Section, the Dissemination Agent shall, in a timely manner, send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) provide each Annual Report received by it to the MSRB, as provided herein; and

(ii) file a report with the Community Facilities District and (if the Dissemination Agent is not the Trustee) the Trustee certifying that such Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided to the MSRB.

Section 3. Content of Annual Reports. The Community Facilities District's Annual Report shall contain or incorporate by reference the following:

(a) The Community Facilities District's audited financial statements, if any, 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 the Community Facilities District's audited financial statements, if any, are not available by the time the Annual Report is required to be filed pursuant to subsection (a) of Section 2 hereof, the Annual Report shall contain unaudited financial statements, in a format similar to that used for the Community Facilities District's audited financial statements, and the audited financial statements, if any, shall be filed in the same manner as the Annual Report when they become available.

(b) The following information with respect to the Series 2021 Bonds:

(i) The principal amount of Series 2021 Bonds Outstanding as of the December 31 next preceding the Annual Report Date;

(ii) The principal amount of Bonds Outstanding as of the December 31 next preceding the Annual Report Date;

(iii) The principal amount of additional bonds payable on a parity with the Bonds, if any, outstanding as of the December 31 next preceding the Annual Report Date;

(iv) The balance in the Reserve Fund established under the Indenture, and a statement of the Reserve Requirement (as defined in the Indenture), as of the December 31 next preceding the Annual Report Date;

(c) The following information with respect to the Community Facilities District:

(i) The total assessed value of all parcels within the Community Facilities District on which the special taxes of the Community Facilities District are levied as shown on the assessment roll of the Riverside County Assessor last equalized prior to the December 31 next preceding the Annual Report Date;

(ii) A five year summary of special tax collections for the Community Facilities District and delinquencies for all parcels within the Community Facilities District;

(iii) An update for the Community Facilities District of the table for the Community Facilities District entitled "Value-to-Lien Stratification" in the Official Statement, including Overlapping Debt if material;

(iv) The status of foreclosure proceedings and a summary of the results of any foreclosure sales with respect to parcels within the Community Facilities District as of the December 31 next preceding the Annual Report Date;

(v) The identity of any property owner representing more than 5% of the special tax levy for the Community Facilities District delinquent in payment of such special taxes as of the December 31 next preceding the Annual Report Date; and

(vi) A land ownership summary listing property owners responsible for more than 5% of the annual special tax of the Community Facilities District, as shown on the assessment roll of the Riverside County Assessor last equalized prior to the December 31 next preceding the Annual Report Date and a summary of any pending assessed value appeals to parcels owned by each one.

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, that have been made available to the public on the MSRB's website. The Community Facilities District shall clearly identify each such other document so included by reference.

Section 4. Reporting of Significant Events. (a) Pursuant to the provisions of this Section, the Community Facilities District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

- (i) Principal and interest payment delinquencies.
- (ii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iii) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (iv) Substitution of credit or liquidity providers, or their failure to perform.
- (v) Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB).
- (vi) Tender offers.
- (vii) Defeasances.
- (viii) Rating changes.
- (ix) Bankruptcy, insolvency, receivership or similar event of the Community Facilities District.
- (x) Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

For purposes of the event identified in paragraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or 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 governmental 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.

(b) Pursuant to the provisions of this Section, the Community Facilities District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2021 Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

(i) Unless described in paragraph (v) of subsection (a) of this Section, material notices or determinations by the Internal Revenue Service with respect to the tax status of the Series 2021 Bonds or other material events affecting the tax status of the Series 2021 Bonds.

(ii) Modifications to rights of holders of the Series 2021 Bonds.

(iii) Optional, unscheduled or contingent Series 2021 Bond calls.

(iv) Release, substitution, or sale of property securing repayment of the Series 2021 Bonds.

(v) Non-payment related defaults.

(vi) The consummation of a merger, consolidation, or acquisition involving the Community Facilities District or the sale of all or substantially all of the assets of the Community Facilities District, 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.

(vii) Appointment of a successor or additional trustee or the change of name of a trustee.

(viii) Incurrence of a Financial Obligation, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation, any of which affect holders of the Series 2021 Bonds.

(c) The Dissemination Agent shall, within one business day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative and inform such person of the event.

(d) If a Listed Event described in subsection (b) of this Section occurs, the Community Facilities District shall determine if such event would be material under applicable Federal securities law.

(e) If a Listed Event described in subsection (a) of this Section occurs, or if the Community Facilities District determines that knowledge of a Listed Event described in subsection (b) of this Section would be material under applicable Federal securities law, the Community Facilities District shall, or shall cause the Dissemination Agent to, file a notice of the occurrence of such Listed Event with the MSRB, in a timely manner not later than ten business days after the date of such occurrence.

(f) Notwithstanding the foregoing, notice of Listed Events described in paragraph (iii) of subsection (b) of this Section need not be given any earlier than the notice (if any) of the underlying event is given to holders of affected Series 2021 Bonds pursuant to the Indenture.

Section 5. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 6. Termination of Reporting Obligation. The Community Facilities District's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2021 Bonds. If such termination occurs prior to the final maturity of the Series 2021 Bonds, the Community Facilities District shall give, or cause to be given, notice of such termination in a filing with the MSRB.

Section 7. Dissemination Agent. The Community Facilities District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing 30 days' written notice to the Community Facilities District, such resignation to become effective upon the appointment of a successor Dissemination Agent. The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the Community Facilities District in a timely manner and in a form suitable for filing.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Community Facilities District and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Community Facilities District; provided, however, that the Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of subsection (a) of Section 2 hereof, Section 3 hereof or subsection (a) or (b) of Section 4 hereof, 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 Series 2021 Bonds, or the 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 Series 2021 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 (i) is approved by Owners of the Series 2021 Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of Owners or Beneficial Owners of the Series 2021 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Community Facilities District shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Community Facilities District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative

form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Community Facilities District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Agreement, in addition to that which is required by this Disclosure Agreement. If the Community Facilities District chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Agreement, the Community Facilities District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 10. Default. In the event of a failure of the Community Facilities District, or the Dissemination Agent to comply with any provision of this Disclosure Agreement, as provided in the Indenture, the Trustee may (and, at the written direction of any Participating Underwriter or the Owners of at least 25% of the aggregate principal amount of Outstanding Series 2021 Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Trustee), or any Owner or Beneficial Owner of the Series 2021 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, or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Community Facilities District or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall not be responsible for the form or content of any Annual Report or notice of Listed Event. The Dissemination Agent shall receive reasonable compensation for its services provided under this Disclosure Agreement. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement to the extent permitted by law, the Community Facilities District agrees to indemnify and save the Dissemination Agent, and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur 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, and which are not due to its negligence or its willful misconduct. The obligations of the Community Facilities District under this Section shall survive resignation or removal of the Dissemination Agent and the termination of this Disclosure Agreement.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Community Facilities District, the Dissemination Agent, the Participating Underwriter and the Owners and Beneficial Owners from time to time of the Series 2021 Bonds and shall create no rights in any other person or entity.

Section 13. Governing Laws. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 14. Electronic Signature. Each of the parties hereto agrees that the transaction consisting of this Disclosure Agreement may be conducted by electronic means. Each party agrees and acknowledges that it is such party's intent, that if such party signs this Disclosure Agreement using an electronic signature, it is signing, adopting and accepting this Disclosure Agreement and that signing this

Disclosure Agreement using an electronic signature is the legal equivalent of having placed the undersigned officer's handwritten signature on this Disclosure Agreement on paper. Each party acknowledges that it is being provided with an electronic or paper copy of this Disclosure Agreement in a usable format.

Section 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

The Dissemination Agent and the Community Facilities District have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

**CITY OF RANCHO MIRAGE  
COMMUNITY FACILITIES DISTRICT  
NO. 4B (DEL WEBB PROJECT)**

By: \_\_\_\_\_  
Disclosure Representative

**WILLDAN FINANCIAL SERVICES, as  
Dissemination Agent**

By: \_\_\_\_\_  
Authorized Representative

**EXHIBIT A**

**NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT**

Obligor: City of Rancho Mirage Community Facilities District No. 4B (Del Webb Project)  
(the “Community Facilities District”)

Name of Issue: The City of Rancho Mirage Community Facilities District No. 4B (Del Webb  
Project) Special Tax Bonds, Series 2021

Date of Issuance: April \_\_, 2021

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 Disclosure Agreement, dated as of April 1, 2021, between the Community Facilities District and Willdan Financial Services, as Dissemination Agent. [The Community Facilities District has notified the Dissemination Agent that it anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

**WILLDAN FINANCIAL SERVICES, as  
Dissemination Agent, on behalf of the  
Community Facilities District**

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cc: Disclosure Representative

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## APPENDIX H

### FORM OF DEVELOPER CONTINUING DISCLOSURE AGREEMENT

This Pulte Continuing Disclosure Agreement (the “Disclosure Agreement”) dated as of April 1, 2021 is executed and delivered by Pulte Home Company, LLC, a Michigan limited liability company (the “Developer”), and Willdan Financial Services, as dissemination agent (the “Dissemination Agent”), in connection with the execution and delivery by City of Rancho Mirage Community Facilities District No. 4B (Del Webb Project) (the “District”) of its \$\_\_\_\_\_ City of Rancho Mirage Community Facilities District No. 4B (Del Webb Project) Special Tax Bonds, Series 2021 (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted on April 1, 2021, by the City Council of the City of Rancho Mirage, acting as the legislative body of the District, and an Indenture, dated as of April 1, 2021 by and between the District and U.S. Bank National Association, as trustee (the “Trustee”). The Developer and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Developer to assist the Underwriter in the marketing of the Bonds.

Section 2. Definitions. Unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Affiliate” shall mean, with respect to the Developer, any person directly (or indirectly through one or more intermediaries) that exercises managerial control over the Developer or that is under managerial control of the Developer, and about whom information could be material to potential investors in their investment decision regarding the Bonds (including without limitation information relevant to the proposed development of the Property, or to the Developer’s ability to pay the applicable Special Tax obligation levied on the Property owned by it when due).

“Assumption Agreement” means an agreement among a purchaser of Property within the District, or an Affiliate thereof, the Developer and the Dissemination Agent containing terms substantially similar to this Disclosure Agreement, whereby such purchaser or Affiliate agrees to provide Semi-Annual Reports and notices of significant events with respect to the portion of the Property within the District owned by such purchaser or its Affiliates.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean initially Willdan Financial Services, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Developer and which has filed with the Developer and the District a written acceptance of such designation.

“District” shall mean City of Rancho Mirage Community Facilities District No. 4B (Del Webb Project).

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB.

“Equity Securities” of any Person shall mean (a) all common stock, preferred stock, participations, shares, general partnership interests or other equity interests in and of such person

(regardless of how designated and whether or not voting or non-voting) and (b) all warrants, options and other rights to acquire any of the foregoing.

“Government Authority” shall mean any national, state or local government, any political subdivision thereof, any department, agency, authority or bureau of any of the foregoing, or any other Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the Official Statement, dated April \_\_, 2021, relating to the Bonds.

“Person” shall mean any natural person, corporation, partnership, firm, association, Government Authority or any other Person whether acting in an individual fiduciary, or other capacity.

“Property” shall mean the parcels within the boundaries of the District subject to Special Taxes.

“Repository” shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

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

“Semiannual Report” shall mean any report to be provided by the Developer on or prior to December 15 and June 15 of each year, commencing December 15, 2021, pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“State” shall mean the State of California.

“Underwriter” shall mean the original underwriter of the Bonds, which is Stifel Nicolaus & Company, Incorporated.

### Section 3. Provision of Semiannual Report.

(a) Until such time as the Developer’s reporting requirements terminate pursuant to Section 7 below, the Developer shall, or upon receipt of the Semiannual Report from the Developer the Dissemination Agent shall, not later than December 15 and June 15 of each year, commencing December 15, 2021, provide to the Repository a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. If, in any year, June 15 or December 15 falls on a Saturday, Sunday or a holiday, such deadline shall be extended to the next following day that is not a Saturday, Sunday, or holiday. The Semiannual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement.

(b) Not later than fifteen (15) calendar days prior to the date specified in subsection (a) for providing the Semiannual Report to the Repository, the Developer (i) shall provide the Semiannual Report to the Dissemination Agent or (ii) shall provide notification to the Dissemination Agent that the Developer is preparing, or causing to be prepared, the Semiannual Report and the date which the Semiannual Report is expected to be filed. If by such date, the Dissemination Agent has not received a copy of the Semiannual Report or notification as described in the preceding sentence, the Dissemination Agent shall notify the Developer of such failure to receive the report.

(c) If the Dissemination Agent is unable to provide a Semiannual Report to the Repository by the applicable June 15th or December 15th or to verify that a Semiannual Report has been provided to the Repository by the Developer by the applicable June 15th or December 15th, the Dissemination Agent shall send a notice to the Repository in the form required by the Repository.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Semiannual Report the name and address of the Repository; and

(ii) promptly after receipt of the Semiannual Report file a report with the Developer and the District certifying that the Semiannual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the Repository.

(e) Notwithstanding any other provision of this Disclosure Agreement, any of the required filings hereunder shall be made in accordance with the MSRB's EMMA system.

#### Section 4. Content of Semiannual Report.

(a) The Developer's Semiannual Report shall contain or include by reference the information which is updated through a date which shall not be more than 60 days prior to the date of the filing of the Semiannual Report relating to the following:

1. An update (if any) to the information relating to the Developer and its Affiliates under the captions in the Official Statement entitled "THE DEVELOPMENT AND THE DEVELOPER." Such updates shall include, but not be limited to, the status of construction on the property currently owned by the Developer and its Affiliates within the District (collectively, the "Landowner Improvements").

2. The number of homes conveyed by the Developer to individual homeowners in the District since the last Semiannual Report filed (or for the first Semiannual Report since the Official Statement) and the number of homes and lots owned by the Developer or any Affiliates within the District.

3. Any significant amendments to land use entitlements that are known to the Developer with respect to the Property.

4. Status of Special Tax payments with respect to the Property.

5. An update of the number of lots within the District acquired by the Developer, if any, and the number of homes for which building permits were issued within the Property since the last Semiannual Report filed (or for the first Semiannual Report since the Official Statement).

(b) Any and all of the items listed above may be included by specific reference to other documents, including official statements of debt issues which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Developer shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Developer shall give, or cause to be given, notice of the occurrence of any of the following events, if material under clauses (b) and (c) as soon as practicable after the Developer obtains knowledge of any of the following events:

1. Failure to pay any real property taxes, special taxes or assessments levied within the Property by the Developer or any Affiliate;

2. Material default by the Developer or any Affiliate on any loan with respect to the construction or permanent financing of the Landowner Improvements to which the Developer or any Affiliate has been provided a notice of default;

3. Payment default by the Developer or any Affiliate on any loan of the Developer or any Affiliate (whether or not such loan is secured by property within the District) which is beyond any applicable cure period in such loan and, in the reasonable judgment of the Developer, such payment default will adversely affect the completion of the development of parcels owned by the Developer or its Affiliates within the District, or would materially adversely affect their respective ability to pay the applicable special tax obligation on the Property owed by it when due;

4. The filing of any proceedings with respect to the Developer in which the Developer may be adjudicated as bankrupt or discharged from any or all of its debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of its debts;

5. The filing of any proceedings with respect to an Affiliate in which the Affiliate may be adjudicated as bankrupt or discharged from any or all of its debts or obligations or granted an extension of time to pay its debts or a reorganization or readjustment of its debts, if such adjudication will adversely affect the completion of the development of parcels owned by the Developer or its Affiliates within the District, or would materially adversely affect their respective ability to pay the applicable special tax obligation on the Property owed by it when due.

6. The filing of any lawsuit against the Developer or any of its Affiliates (for which the Developer has actual notice, as through receipt of service of process) which, in the reasonable judgment of the Developer, will adversely affect the completion of the development of the Property, or litigation which if decided against the Developer, or any of its Affiliates, in the reasonable judgment of the Developer, would materially adversely affect their respective ability to pay the applicable special tax obligation on the Property owed by it when due.

7. Unless disclosed in the Official Statement or a prior Semi-Annual Report, any conveyance by the Developer of any of its Property to an entity that is not an Affiliate of the Developer, the result of which conveyance is to cause the transferee to own 69 or more, or 20% or more, of the residential lots within the District. Notwithstanding the foregoing, the Developer

shall have no obligation to provide notice of the transfer of Property from the Developer to an Affiliate of the Developer.

(b) Whenever the Developer obtains knowledge of the occurrence of a Listed Event, the Developer shall as soon as possible determine if such event would be material under applicable federal securities laws. The Dissemination Agent shall have no responsibility to determine the materiality of any of the Listed Events.

(c) If the Developer determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Developer shall promptly (i) file a notice of such occurrence with the Dissemination Agent which shall then distribute such notice to the Repository, with a copy to the District, or (ii) file a notice of such occurrence with the Repository, with a copy to the Dissemination Agent and the District.

Section 6. Assumption of Developer's Obligations. If any portion of the Property owned by the Developer is conveyed to a Person such that, upon such conveyance, such Person will be the owner of 69 or more, or 20% or more, of the residential lots within the District, all of the obligations of the Developer hereunder with respect to such Property conveyed shall be assumed by such transferee. In order to effect such assumption, such transferee shall enter into an Assumption Agreement. A copy of the Assumption Agreement shall be provided to the Dissemination Agent, the Trustee, the Underwriter and the District as set forth in Section 5(a)(7) in the manner provided in 5(b) and (c). Notwithstanding the foregoing, there shall be no requirement that a transferee enter into an Assumption Agreement if the transferee is an Affiliate of the Developer.

Section 7. Termination of Reporting Obligation. The Developer's obligations under this Disclosure Agreement shall terminate upon the earlier to occur of the following events:

- (a) the legal defeasance, prior redemption or payment in full of all of the Bonds, or
- (b) at such time as the Developer and its Affiliates, in the aggregate, own less than 69 or 20% of the residential lots within the District, or
- (c) with respect to Property conveyed to another entity, the date on which the Developer's obligations under this Disclosure Agreement are assumed under an Assumption Agreement.

If such termination occurs prior to the final maturity of the Bonds, the Developer shall give notice of such termination in the same manner as for a Listed Event hereunder.

Section 8. Dissemination Agent. The Developer may from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Developer, the Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Developer pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing (i) thirty days written notice to the Developer and the Dissemination Agent and (ii) upon appointment of a new Dissemination Agent hereunder.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Developer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements or a change in law;

(b) The amendment or waiver either (i) is approved by the owners of the Bonds in the same manner as provided in the Resolution with the consent of owners of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the District and the Dissemination Agent, materially impair the interests of the owners or Beneficial Owners of the Bonds; and

(c) the Developer, or the Dissemination Agent, shall have delivered copies of the amendment and any opinions delivered under (b) above to the District and the Trustee.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Developer shall describe such amendment in the next Semiannual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver.

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Semiannual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Developer chooses to include any information in any Semiannual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Developer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Semiannual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Developer or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the 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 Developer or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. Notwithstanding the foregoing sentence, the sole remedy under this Disclosure Agreement in the event of any failure of the Developer or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Developer, the Underwriter, owners of the Bonds or Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon a direction from the Developer or an opinion of nationally recognized bond counsel. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent may conclusively rely upon the Semiannual Report provided to it by the Developer as constituting the Semiannual Report required of the Developer in accordance with this Disclosure Agreement and shall have no duty or obligation to review such Semiannual Report. The Dissemination Agent shall have no duty to prepare the Semiannual Report nor shall the Dissemination Agent be responsible for filing any Semiannual Report not provided to it by the Developer in a timely manner in a form suitable for filing with the Repository. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

Section 13. The Developer as Independent Contractor. In performing under this Disclosure Agreement, it is understood that the Developer is an independent contractor and not an agent of the District.

Section 14. Notices. Notices should be sent in writing by electronic mail, regular mail or overnight mail to the following addresses. The following information may be conclusively relied upon until changed in writing.

Developer: Pulte Group  
27401 Los Altos, Suite 400  
Mission Viejo, CA 92691-8550  
Attn: Peter Hilton, Vice President of Finance, Southern California

*with a copy to:*

Pulte Group  
27401 Los Altos, Suite 400  
Mission Viejo, CA 92691-8550  
Attn: Don Sajor, Area General Counsel & Vice President – West Area

Dissemination Agent: Willdan Financial Services  
27368 Via Industria, Suite 200  
Temecula, CA 92590  
Attn: Dave Davies

Underwriter: Stifel Nicolas & Company, Incorporated.  
One Montgomery Street, 35<sup>th</sup> Floor  
San Francisco, CA 94104  
Attn: Public Finance

Section 15. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Developer, the District, the Dissemination Agent, the Underwriter and owners of the Bonds and Beneficial Owners from time to time of the Bonds and shall create no rights in any other person or entity.

Section 16. California Law. The validity, interpretation and performance of this Disclosure Agreement shall be governed by the laws of the State of California.

Section 17. Electronic Signature. Each of the parties hereto agrees that the transaction consisting of this Disclosure Agreement may be conducted by electronic means. Each party agrees and acknowledges that it is such party's intent, that if such party signs this Disclosure Agreement using an electronic signature, it is signing, adopting and accepting this Disclosure Agreement and that signing this Disclosure Agreement using an electronic signature is the legal equivalent of having placed the undersigned officer's handwritten signature on this Disclosure Agreement on paper. Each party acknowledges that it is being provided with an electronic or paper copy of this Disclosure Agreement in a usable format.

Section 18. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**PULTE HOME COMPANY, LLC,  
a Michigan limited liability company**

By: \_\_\_\_\_  
Vice President - Treasurer

**WILLDAN FINANCIAL SERVICES, as  
Dissemination Agent**

By: \_\_\_\_\_  
Authorized Representative



