

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

**PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2020**

**NEW ISSUE—BOOK-ENTRY-ONLY**

**NO RATING**

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, subject to certain qualifications described in the Official Statement, under existing statutes, regulations, rules and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in the Official Statement, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, such interest is exempt from State of California personal income taxes. See "TAX MATTERS" herein.*

**\$1,975,000\***

**CITY OF BEAUMONT  
COMMUNITY FACILITIES DISTRICT NO. 2019-1  
2020 SPECIAL TAX BONDS**

**Dated: Delivery Date**

**Due: September 1, as shown on the inside cover page**

This Official Statement describes bonds that are being issued by the City of Beaumont Community Facilities District No. 2019-1 (the "District"). The City of Beaumont Community Facilities District No. 2019-1 2020 Special Tax Bonds (the "Bonds") are being issued by the District to (a) pay the cost and expense of the acquisition and construction of certain public facilities in connection with the development of the District; (b) fund a reserve account securing the Bonds; and (c) pay costs of issuance of the Bonds.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California), and pursuant to a resolution adopted by the City Council of the City of Beaumont (the "City"), acting as the legislative body of the District, and a Bond Indenture, dated as of September 1, 2020 (the "Indenture"), by and between the District and Wilmington Trust, National Association, as trustee (the "Trustee").

**The Bonds are limited obligations of the District and are payable solely from revenues derived from certain annual Special Taxes (as defined herein) to be levied on and collected from the owners of parcels within the District subject to the Special Taxes and from certain other funds pledged under the Indenture, all as further described herein. The Special Taxes are to be levied according to the rate and method of apportionment approved by the City Council of the City and the qualified electors within the District. See "SOURCES OF PAYMENT FOR THE BONDS—Special Taxes." The City Council of the City is the legislative body of the District.**

The Bonds are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Bonds may be made in principal amounts of \$5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. Interest on the Bonds will be payable semiannually on each March 1 and September 1, commencing March 1, 2021. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein. Principal of and interest on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS—General Provisions" and APPENDIX F—"BOOK-ENTRY ONLY SYSTEM" herein.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE CITY, THE COUNTY OF RIVERSIDE, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET TAXES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY OR GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES TO BE LEVIED IN THE DISTRICT AND CERTAIN OTHER AMOUNTS HELD UNDER THE BOND INDENTURE AS MORE FULLY DESCRIBED HEREIN.

The Bonds are subject to redemption prior to maturity as set forth herein. See "THE BONDS—Redemption" herein.

**THE BONDS ARE NOT RATED BY ANY RATING AGENCY, AND INVESTMENT IN THE BONDS INVOLVES SIGNIFICANT RISKS THAT ARE NOT APPROPRIATE FOR CERTAIN INVESTORS. CERTAIN EVENTS COULD AFFECT THE ABILITY OF THE DISTRICT TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS WHEN DUE. SEE THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "SPECIAL RISK FACTORS" FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH HEREIN, IN EVALUATING THE INVESTMENT QUALITY OF THE BONDS.**

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

**MATURITY SCHEDULE  
(See Inside Cover Page)**

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and subject to certain other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California is serving as Disclosure Counsel to the District with respect to the Bonds. Certain legal matters will be passed on for the City and the District by Slovak, Baron, Empey, Murphy & Pinkney LLP, Palm Springs, California, and for the Underwriter by its counsel, Kutak Rock LLP, Irvine, California. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about September \_\_\_, 2020.

**[STIFEL LOGO]**

Dated: September \_\_\_, 2020

\* Preliminary, subject to change.

\$ \_\_\_\_\_  
**CITY OF BEAUMONT**  
**COMMUNITY FACILITIES DISTRICT NO. 2019-1**  
**2020 SPECIAL TAX BONDS**

**MATURITY SCHEDULE**

**Base CUSIP No.<sup>†</sup>: 074433**

**Serial Bonds**

<i><b>Maturity Date</b></i> <i><b>(September 1)</b></i>	<i><b>Principal</b></i> <i><b>Amount</b></i>	<i><b>Interest Rate</b></i>	<i><b>Yield</b></i>	<i><b>Price</b></i>	<i><b>CUSIP No.<sup>†</sup></b></i>
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**Term Bonds**

\$ \_\_\_\_\_ % Term Bonds due September 1, \_\_\_\_\_, Yield: \_\_\_\_\_ % Price: \_\_\_\_\_ CUSIP No.<sup>†</sup> HA4

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<sup>†</sup> CUSIP® Copyright 2020, American Bankers Association. CUSIP® data in this Official Statement is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers' Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. None of the City, the District or the Underwriter or its counsel takes any responsibility for the accuracy of CUSIP data in this Official Statement. The CUSIP® number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**CITY OF BEAUMONT  
COUNTY OF RIVERSIDE**

**CITY COUNCIL**  
**Serving as the Legislative Body of**  
**City of Beaumont Community Facilities District No. 2019-1**

Rey Santos, Mayor  
Mike Lara, Mayor Pro Tem  
Nancy Carroll  
Julio Martinez  
Lloyd White

**CITY OFFICIALS**

Todd Parton, City Manager  
Kristine Day, Assistant City Manager  
Jeff Mohlenkamp, Director of Finance  
Steven Mehlman, City Clerk  
John Pinkney, City Attorney

**BOND COUNSEL AND DISCLOSURE COUNSEL**

Stradling Yocca Carlson & Rauth,  
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Newport Beach, California

**MUNICIPAL ADVISOR**

Urban Futures, Inc.  
Tustin, California

**SPECIAL TAX CONSULTANT**

WEBB Municipal Finance, LLC  
Riverside, California

**REAL ESTATE APPRAISER**

Integra Realty Resources  
Rocklin, California

**TRUSTEE**

Wilmington Trust, National Association  
Costa Mesa, California

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

This Official Statement is not to be construed as a contract with the purchasers or owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of fact. This Official Statement, including any supplement or amendment to this Official Statement, is intended to be deposited with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at [www.emma.msrb.org](http://www.emma.msrb.org).

The information set forth in this Official Statement which has been obtained from third party sources is believed to be reliable, but such information is not guaranteed as to accuracy or completeness by the City or the District. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the District or any other parties described in this Official Statement since the date of this Official Statement. All summaries of the Indenture or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is made by this Official Statement to such documents on file with the City for further information. While the City maintains an internet website for various purposes, none of the information on that website is incorporated by reference herein or intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the City. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

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

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

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "THE COMMUNITY FACILITIES DISTRICT."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

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

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

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**[INSERT LOCATION MAP HERE]**

**[INSERT REGIONAL MAP HERE]**



**[INSERT AERIAL PHOTO HERE]**

**\$1,975,000\***  
**CITY OF BEAUMONT**  
**COMMUNITY FACILITIES DISTRICT NO. 2019-1**  
**2020 SPECIAL TAX BONDS**

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page, the table of contents and the appendices (collectively, the “Official Statement”), is to provide certain information concerning the issuance by the City of Beaumont Community Facilities District No. 2019-1 (the “District”) of its 2020 Special Tax Bonds (the “Bonds”) in the aggregate principal amount of \$1,975,000\*. The proceeds of the Bonds will be used to (a) pay the cost and expense of the acquisition and construction of certain public facilities required in connection with the development of the District; (b) fund a reserve account securing the Bonds; and (c) pay costs of issuance of the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS.”

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the “Act”), and pursuant to a resolution adopted by the City Council of the City of Beaumont (the “City Council”), acting as the legislative body of the District, on September 1, 2020 and a Bond Indenture dated as of September 1, 2020 (the “Indenture”), by and between the District and Wilmington Trust, National Association, as trustee (the “Trustee”).

The Bonds are secured under the Indenture by a pledge of and lien upon Net Taxes (as defined herein) levied on parcels within the District and all moneys in the Special Tax Fund as described in the Indenture. See “SOURCES OF PAYMENT FOR THE BONDS.”

The Bonds are being issued and delivered pursuant to the provisions of the Act and the Indenture. The Bonds are being sold pursuant to a Bond Purchase Agreement between the Underwriter and the District. For more complete information, see “THE BONDS—General Provisions” herein.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined shall have the meaning set forth in APPENDIX D—“SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE—DEFINITIONS” herein.

**The District**

**General.** The District is located in the northeastern portion of the City of Beaumont (the “City”), bounded by Carnation Way to the north and Xenia Avenue to the east. The District consists of two non-contiguous parcels of land divided into two zones: Zone 1 and Zone 2. As of July 30, 2020, the date of value set forth in the Appraisal Report (as hereinafter defined), 95 homes within the District had been built and sold to individual homeowners, 7 completed homes were owned by Pardee Homes, a California corporation (the “Developer”), the entity developing the land within the District, and 16 homes were owned by the Developer and under construction. As of July 30, 2020, 22 units were under contract to be sold to individual homeowners. As of August 17, 2020, an additional 2 completed homes had been conveyed to individual homeowners and 20 homes were under contract to be sold. No parcel within the District has fully prepaid its

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\* Preliminary, subject to change.

Special Tax obligation to date; accordingly, all parcels will be subject to the Special Tax levy going forward, subject to future Special Tax prepayments, if any.

As of July 30, 2020, the date of value set forth in the Appraisal Report, building permits had been pulled on all parcels within the District; accordingly, all lots will be classified and levied against as Developed Property going forward.

***Formation Proceedings.*** The District was formed by the City pursuant to the Act and constitutes a governmental entity separate and apart from the City.

The Act was enacted by the California legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. Any local agency (as defined in the Act) may establish a community facilities district to provide for and finance the cost of eligible public facilities and services. Generally, the legislative body of the local agency which forms a community facilities district acts on behalf of such district as its legislative body. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness.

Subsequent to a noticed public hearing on March 5, 2019, the City Council adopted resolutions which established the District, authorized the levy of special taxes therein, determined the necessity to incur bonded indebtedness therein, and called an election within the District on the proposition of incurring bonded indebtedness, levying special taxes and setting an appropriations limit therein.

On March 5, 2019, an election was held within the District at which the landowners eligible to vote approved the issuance of bonds for the District in an amount not to exceed \$4,000,000 and approved a rate and method of apportionment of special tax for the District (the “Rate and Method”). A copy of the Rate and Method is attached hereto as Appendix A.

### **Property Ownership and Development Status**

The District is specifically located in the northeastern portion of the City, bounded by Carnation Way to the north and Xenia Avenue to the east. The District consists of two non-contiguous parcels of land divided into two zones: Zone 1 and Zone 2. The development within the District is planned for 118 proposed single family homes. The balance of the property within the District is anticipated to be used for recreational facilities, parks and open space.

All property planned for residential development in the District is being developed by the Developer. The area included in the District has been graded and major infrastructure (sewer, water, storm drains, utilities, and arterial roads) to be installed by the Developer has been completed. As of July 30, 2020, the date of value set forth in the Appraisal Report, 95 fully completed homes had been conveyed to individual homeowners and 23 homes were owned by the Developer, of which 7 homes were substantially complete and 16 homes were under construction. As of July 30, 2020, 22 units were under contract to be sold to individual homeowners. As of August 17, 2020, an additional 2 completed homes had been conveyed to individual homeowners and 20 homes were under contract to be sold. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT” herein.

### **Forward Looking Statements**

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

looking statements include, but are not limited to certain statements contained in the information under the captions “THE COMMUNITY FACILITIES DISTRICT” and “APPRAISAL REPORT.”

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

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

**General.** The Bonds and any Parity Bonds are limited obligations of the District, and the interest on and principal of and redemption premiums, if any, on the Bonds and any Parity Bonds are payable solely from the Special Taxes to be levied annually against the property in the District, or, to the extent necessary, from the moneys on deposit in the Reserve Account. As described herein, the Special Taxes are collected along with *ad valorem* property taxes on the tax bills mailed by the Treasurer-Tax Collector of the County of Riverside (the “County”). Although the Special Taxes will constitute a lien on the property subject to taxation in the District, they will not constitute a personal indebtedness of the owners of such property. There is no assurance that such owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if they are financially able to do so.

**Limited Obligations.** Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds and any Parity Bonds. The Bonds and any Parity Bonds are not general or special obligations of the City nor general obligations of the District, but are special obligations of the District payable solely from Special Taxes collected in the District and amounts held under the Indenture as more fully described herein.

**Special Tax.** As used in this Official Statement, the term “Special Tax” is that tax which has been authorized pursuant to the Act to be levied against certain land within the District pursuant to the Act and in accordance with the Rate and Method to pay for facilities only, but excluding penalties and interest imposed upon delinquent installments. See “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes” and APPENDIX A—“RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” Under the Indenture, the District will pledge to repay the Bonds and any Parity Bonds from the Special Tax revenues remaining after the payment of annual Administrative Expenses of the District up to the Administrative Expenses Cap (the “Net Taxes”) and from amounts on deposit in the Special Tax Fund established under the Indenture.

The Special Taxes are the primary security for the repayment of the Bonds and any Parity Bonds. In the event that the Special Taxes are not paid when due, the only sources of funds available to pay the debt service on the Bonds and any Parity Bonds are amounts held by the Trustee in the Special Tax Fund, including amounts held in the Reserve Account therein. See “SOURCES OF PAYMENT FOR THE BONDS—Reserve Account of the Special Tax Fund.”

Special Taxes within the District were first levied in Fiscal Year 2020-21.

**Reserve Account.** The Indenture creates a Reserve Account for the Bonds. In order to secure further the payment of principal of and interest on the Bonds, the District is required, upon delivery of the Bonds, to deposit in the Reserve Account an amount equal to the Reserve Requirement for the Bonds and thereafter to maintain in the Reserve Account an amount equal to the Reserve Requirement for the Bonds. The initial Reserve Requirement for the Bonds shall be \$\_\_\_\_\_, and the Reserve Requirement shall never exceed this amount. See “SOURCES OF PAYMENT FOR THE BONDS—Reserve Account of the Special Tax Fund.”

***Foreclosure Proceeds.*** The District will covenant for the benefit of the Owners of the Bonds and the landowners of the District securing such Bonds that it will review the public records of the County of Riverside, California, in connection with the collection of the Special Tax not later than July 1 of each year to determine the amount of Special Tax collected in the prior Fiscal Year; and with respect to individual delinquencies within the District, if the District determines that any single property owner subject to the Special Tax is delinquent in the payment of Special Taxes in the aggregate of \$2,500 or more or as to any single parcel the delinquent Special Taxes represent more than 5% of the aggregate Special Taxes within the District, then the District will send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) the District will cause judicial foreclosure proceedings to be filed in the Superior Court within ninety (90) days of such determination against all properties for which the Special Taxes remain delinquent.

The District will further covenant that it will deposit any Gross Taxes received in connection with a foreclosure in the Special Tax Fund and will apply such proceeds remaining after the payment of Administrative Expenses to make current payments of principal and interest on the Bonds and any Parity Bonds, to bring the amount on deposit in the Reserve Account up to the Reserve Requirement and to pay any delinquent installments of principal or interest due on the Bonds and any Parity Bonds.

The District does not participate in the County's Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"); accordingly, the collection of Special Taxes is subject to delinquency. See "SOURCES OF PAYMENT FOR THE BONDS—No Teeter Plan."

**NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE CITY, THE COUNTY OF RIVERSIDE, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY OR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES AND CERTAIN AMOUNTS HELD UNDER THE BOND INDENTURE AS MORE FULLY DESCRIBED HEREIN.**

***Parity Bonds for Refunding Purposes Only.*** Under the terms of the Indenture, the District may issue additional bonds secured by the Net Taxes on a parity with the Bonds ("Parity Bonds") if certain conditions are met; provided, however, that Parity Bonds may only be issued for the purpose of refunding the Bonds or other Parity Bonds. See "SOURCES OF PAYMENT FOR THE BONDS—Issuance of Parity Bonds." Parity Bonds may be issued by means of a supplemental indenture and without any requirement for the consent of any Bond owners. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE—DEFEASANCE AND PARITY BONDS."

***Liens.*** Other taxes and/or special assessments with liens equal in priority to the continuing lien of the Special Taxes have been levied and may also be levied in the future on the property within the District which could adversely affect the willingness of the landowners to pay the Special Taxes when due. See "SPECIAL RISK FACTORS—Parity Taxes and Special Assessments" herein. See Table 5 for a description of the direct and overlapping debt applicable to the parcels within the District.

## **Appraisal Report**

An MAI appraisal of the land and existing improvements within the District (the "Appraisal Report") was prepared by Integra Realty Resources, Rocklin, California (the "Appraiser"). The Appraisal Report is dated August 19, 2020. See APPENDIX H—"APPRAISAL REPORT." The Appraisal Report provides an estimate of the approximate market value of certain of the property in the District, assuming development of the property as currently planned. As currently planned, development in the District will consist of 118 residential units. As of July 30, 2020, the date of value set forth in the Appraisal Report, the Appraiser

estimates that the value of all of the Taxable Parcels (based on market value) within the District subject to the Special Tax was \$33,982,000.

The Appraisal Report is based upon a variety of assumptions and limiting conditions that are described in Appendix H. The City and the District make no representations as to the accuracy of the Appraisal Report. See “THE COMMUNITY FACILITIES DISTRICT—Appraisal Report” and “—Value-to-Lien Ratios.” There is no assurance that property within the District can be sold for the prices set forth in the Appraisal Report or that any parcel can be sold for a price sufficient to pay the Special Tax for that parcel in the event of a default in payment of Special Taxes by the land owner. See “THE COMMUNITY FACILITIES DISTRICT,” “SPECIAL RISK FACTORS—Land Values,” “—COVID-19 (Coronavirus) Pandemic” and APPENDIX H—“APPRAISAL REPORT” herein.

### **Description of the Bonds**

The 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 actual purchasers of the Bonds (the “Beneficial Owners”) in the 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 herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. In the event that the book-entry-only system described herein is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Indenture. See APPENDIX F—“BOOK-ENTRY ONLY SYSTEM.”

Principal of, premium, if any, and interest on the Bonds is payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. In the event that the book-entry only system is no longer used with respect to the Bonds, the Beneficial Owners will become the registered owners of the Bonds and will be paid principal and interest by the Trustee, all as described in the Indenture. See APPENDIX D—“SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE—GENERAL AUTHORIZATION AND BOND TERMS—Transfers Outside Book-Entry System” herein.

The Bonds are subject to optional redemption, extraordinary redemption, and mandatory sinking fund redemption as described herein. See “THE BONDS—Redemption.” For a more complete description of the Bonds and the basic documentation pursuant to which they are being sold and delivered, see “THE BONDS” and APPENDIX D—“SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE” herein.

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

Wilmington Trust, National Association, Costa Mesa, California, will act as Trustee under the Indenture. Stifel, Nicolaus & Company, Incorporated, will serve as the underwriter (the “Underwriter”) of the Bonds. Certain proceedings in connection with the issuance and delivery of the Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel and Disclosure Counsel to the District in connection with the issuance of the Bonds. Certain legal matters will be passed on for the District and the City by Slovak, Baron, Empey, Murphy & Pinkney LLP, Palm Springs, California, for the Underwriter by Kutak Rock LLP, Irvine, California, as counsel to the Underwriter, and for the Trustee by its counsel. Other professional services have been performed by Integra Realty Resources, Rocklin, California, as the Appraiser, Urban Futures, Inc., Tustin, California, as Municipal Advisor to the City and the District, and WEBB Municipal Finance, LLC, Riverside, California, as Special Tax Consultant.

Certain of the above-mentioned professionals, advisors, counsel and consultants may have a financial or other interest in the offering of the Bonds. See “FINANCIAL INTERESTS” herein.

## **Continuing Disclosure**

The District has agreed to provide, or cause to be provided, pursuant to Rule 15c2-12 adopted by the Securities and Exchange Commission (the “Rule”) certain financial information and operating data on an annual basis (the “District Reports”). The District has further agreed to provide, in a timely manner, notice of certain events with respect to the Bonds (the “Listed Events”). These covenants have been made in order to assist the Underwriter in complying with the Rule. The District Reports will be filed with the Electronic Municipal Market Access System (“EMMA”) of the Municipal Securities Rulemaking Board (the “MSRB”) available on the Internet at <http://emma.msrb.org>. Notices of Listed Events will also be filed with the MSRB. The District has previously entered into various continuing disclosure obligations. The City will assist the District in preparing the District Reports. Within the last five years, the City and certain related entities have failed to comply in certain respects with prior continuing disclosure undertakings. See “CONTINUING DISCLOSURE.”

See “CONTINUING DISCLOSURE” herein and Appendix E—“FORM OF DISTRICT CONTINUING DISCLOSURE CERTIFICATE” hereto for a description of the specific nature of the annual reports to be filed by the District and notices of Listed Events and a copy of the continuing disclosure undertakings pursuant to which such District Reports are to be made.

## **SEC Order**

On August 23, 2017, following an offer of settlement by the Beaumont Financing Authority (the “BFA”), the U.S. Securities and Exchange Commission (“SEC”) entered a Cease-and-Desist Order and imposed certain undertakings on the BFA (the “SEC Order”). The BFA neither admits nor denies the findings in the SEC Order. The members of the City Council of the City act as the Board of Directors of the BFA and City staff acts as the staff of the BFA. A copy of the SEC Order is attached hereto as Appendix G.

## **Bond Owners’ Risks**

Certain events could affect the ability of the District to pay the principal of and interest on the Bonds when due. See the section of this Official Statement entitled “SPECIAL RISK FACTORS” for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds. The Bonds are not rated by any nationally recognized rating agency. The purchase of the Bonds involves significant risks, and the Bonds may not be appropriate investments for certain investors. See “SPECIAL RISK FACTORS” herein.

## **Other Information**

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Brief descriptions of the Bonds and the Indenture are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture, the Bonds and the constitution and laws of the State as well as the proceedings of the Board, acting as the legislative body of the District, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the Bonds, by reference to the Indenture. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

Copies of the Indenture and other documents and information are available for inspection and (upon request and payment to the District of a charge for copying, mailing and handling) for delivery from the City at 550 East 6<sup>th</sup> Street, Beaumont, California 92223.

## ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the expected sources and uses of Bond proceeds and Special Taxes on hand.

### Sources of Funds:

Principal Amount of Bonds	\$
Plus Original Issue Premium	
Total Sources	\$

### Uses of Funds:

Acquisition and Construction Fund <sup>(1)</sup>	\$
Costs of Issuance <sup>(2)</sup>	
Reserve Account	
Total Uses	\$

<sup>(1)</sup> See "THE COMMUNITY FACILITIES DISTRICT—Description of Authorized Facilities" for a list of facilities eligible to be financed with Bond proceeds deposited into the Acquisition and Construction Fund."

<sup>(2)</sup> Includes Underwriter's Discount, Bond Counsel fees, Disclosure Counsel fees, Special Tax Consultant fees, Municipal Advisor fees, Trustee fees, printing costs and other issuance costs.

Source: The Underwriter.

## THE BONDS

### General Provisions

The Bonds will be dated as of their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, payable semiannually on each March 1 and September 1, commencing on March 1, 2021 (each, an "Interest Payment Date"), and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement.

Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless (i) such date of authentication is an Interest Payment Date, in which event interest will be payable from such date of authentication; (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication; or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest will be payable from the date of the Bonds; provided, however, that if at the time of authentication of a Bond, interest is in default, interest on that Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment.

As used herein, Record Date means the fifteenth day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day.

Interest on any Bond will be paid to the person whose name appears in the Bond Register as the Owner of such Bond as of the close of business on the Record Date. Such interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, to the Bondowner at its address on the Bond Register. In addition, with respect to any Bonds owned by the District and upon a request in writing received by the Trustee on or before the applicable Record Date from an Owner of \$1,000,000 or more in principal amount of the Bonds, payment will be made by wire transfer in immediately available funds to an account designated by such Owner.

Principal of the Bonds and any premium due upon redemption is payable upon presentation and surrender of the Bonds at the principal corporate trust office of the Trustee in Costa Mesa, California.



The Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 and any integral multiple thereof. So long as DTC is the securities depository all payments of principal and interest on the Bonds will be made to DTC and will be paid to the Beneficial Owners in accordance with DTC's procedures and the procedures of DTC's Participants. See APPENDIX F—"BOOK-ENTRY-ONLY SYSTEM."

### Debt Service Schedule

The following table presents the annual debt service on the Bonds (including sinking fund redemption), assuming there are no optional or extraordinary redemptions. See "SOURCES OF PAYMENT FOR THE BONDS" and "THE BONDS—Redemption."

<i>Date</i> <i>(September 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
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			
Total			

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Source: The Underwriter.

## Redemption\*

**Optional Redemption.** The Bonds may be redeemed, at the option of the District from any source of funds, other than Prepayments, on any Interest Payment Date on or after September 1, \_\_\_, in whole, or in part by lot, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date of redemption, at the following redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed):

<i>Redemption Dates</i>	<i>Redemption Price</i>
September 1, ___ and March 1, ___	103%
September 1, ___ and March 1, ___	102
September 1, ___ and March 1, ___	101
September 1, ___ and any Interest Payment Date thereafter	100

In the event the District elects to optionally redeem Bonds, the District shall give written notice to the Trustee of its election to so redeem, the redemption date and the principal amount of the Bonds of each maturity to be redeemed. The notice to the Trustee shall be given at least 45 but no more than 60 days prior to the redemption date, or by such later date as is acceptable to the Trustee, in its sole discretion.

**Extraordinary Redemption from Special Tax Prepayments.** The Bonds are subject to extraordinary redemption as a whole or in part, on any Interest Payment Date, and shall be redeemed by the Trustee, from Prepayments deposited to the Redemption Account plus amounts transferred from the Reserve Account pursuant to the Indenture, at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the redemption date:

<i>Redemption Dates</i>	<i>Redemption Price</i>
Interest Payment Dates to and including March 1, ___	103%
September 1, ___ and March 1, ___	102
September 1, ___ and March 1, ___	101
September 1, ___ and each Interest Payment Date thereafter	100

Prepayments and amounts released from the Reserve Account in connection with Prepayments will be allocated to the redemption of the Bonds and any Parity Bonds as nearly as practicable on a proportionate basis based on the outstanding principal amount of the Bonds and any Parity Bonds and shall be applied to redeem Bonds and Parity Bonds as nearly as practicable on a pro rata basis among maturities in increments of \$5,000; provided, however, that, for Prepayments of less than \$50,000, the District may specify in a Certificate of an Authorized Representative that Prepayments be applied to one or more maturities of the Bonds or Parity Bonds so long as there is delivered to the Trustee a Certificate of the Special Tax Consultant that, following such redemption from Prepayments, the maximum Special Taxes that may be levied in each Fiscal Year on Developed Property is not less than 110% of Maximum Annual Debt Service net of the Administrative Expenses Cap.

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\* Preliminary, subject to change.

***Mandatory Sinking Fund Redemption.*** The Term Bonds maturing on September 1, \_\_\_\_ (the “\_\_\_\_ Term Bonds”) shall be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Principal Account, on September 1, \_\_\_\_, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The \_\_\_\_ Term Bonds so called for redemption shall be selected by the Trustee by lot and shall be redeemed at a redemption price for each redeemed Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

***Sinking Fund Redemption Date***  
***(September 1)***

***Sinking Fund Payments***

(maturity)

In the event of a partial optional redemption or extraordinary redemption of the \_\_\_\_ Term Bonds, each of the remaining Sinking Fund Payments for such Term Bonds will be reduced, as nearly as practicable, on a pro rata basis, in integral multiples of \$5,000.

***Selection of Bonds and Parity Bonds for Redemption.*** If less than all of the Bonds Outstanding is to be redeemed, the portion of any Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or an integral multiple thereof. So long as the Bonds are registered in the name of the Nominee, such Bonds or any portion thereof shall be selected by the Depository in accordance with its operating procedures.

***Notice of Redemption.*** So long as the Bonds are held in book-entry form, the Beneficial Owners will not be mailed any notice of redemption by the Trustee. It is the responsibility of DTC Participants to provide such notice. See APPENDIX F—“BOOK-ENTRY ONLY SYSTEM.” The Trustee is obligated to provide at least 30 days but not more than 45 days prior to the date of redemption, notice of intended redemption, by first-class mail, postage prepaid, to the respective registered owners of the Bonds at the addresses appearing on the Bond registration books; provided, however, so long as the Bonds and Parity Bonds are registered in the name of the Nominee, such notice shall be given in such manner as complies with the requirements of the Depository. The notice of redemption must: (i) specify the CUSIP numbers (if any), the bond numbers and the maturity date or dates of the Bonds selected for redemption, except that where all of the Bonds are subject to redemption, or all the Bonds or Parity Bonds of one maturity are to be redeemed, the bond numbers of such issue need not be specified; (ii) state the date fixed for redemption and surrender of the Bonds to be redeemed; (iii) state the redemption price; (iv) state the place or places where the Bonds are to be redeemed; (v) in the case of Bonds to be redeemed only in part, state the portion of such Bond which is to be redeemed; (vi) state the date of issue of the Bonds as originally issued; (vii) state the rate of interest borne by each Bond being redeemed; and (viii) state any other descriptive information needed to identify accurately the Bonds being redeemed as shall be specified by the Trustee. Such notice must further state that on the date fixed for redemption, there will become due and payable on each Bond or portion thereof called for redemption, the principal thereof, together with any premium, and interest accrued to the redemption date, and that from and after such date, interest thereon will cease to accrue and be payable.

So long as notice of redemption has been provided as set forth in the Indenture, the actual receipt by the owner of any Bond of notice of such redemption is not a condition precedent to redemption, and neither the failure to receive such notice nor any defect therein will affect the validity of the proceedings for redemption of such Bonds or the cessation of interest on the date fixed for redemption.

Any redemption notice for an optional redemption of the Bonds delivered in accordance with the Indenture may be conditional, and, if any condition stated in the redemption notice has not been satisfied on or prior to the redemption date: (i) the redemption notice will be of no force and effect, (ii) the District will not be required to redeem such Bonds, (iii) the redemption will not be made, and (iv) the Trustee will within a reasonable time thereafter give notice to the persons to whom such conditional redemption notice was given in

the manner in which the conditional redemption notice was given that such condition or conditions were not met and that the redemption was canceled.

***Effect of Redemption.*** When notice of redemption has been given, and when the amount necessary for redemption has been made available for that purpose and is available therefor on the date fixed for such redemption, the Bonds designated for redemption will become due and payable on the date fixed for redemption upon presentation and surrender of the Bonds at the place specified in the notice of redemption. Bonds or portions thereof so designated for redemption will be deemed to be no longer Outstanding and such Bonds, or portions thereof, will cease to bear further interest. As of the date fixed for redemption no Owner of any of the Bonds or portions thereof so designated for redemption will be entitled to any of the benefits of the Indenture, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

***Purchase in lieu of Redemption.*** The Bonds may be purchased by the District in lieu or partially in lieu of redemption of Bonds. See APPENDIX D—“SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE—CREATION OF FUNDS AND APPLICATION OF NET TAXES—Redemption Account of the Special Tax Fund.”

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

***Registration.*** The Trustee will keep sufficient books for the registration and transfer of the Bonds. The ownership of the Bonds will be established by the Bond registration books held by the Trustee.

***Transfer or Exchange.*** Whenever any Bond is surrendered for registration of transfer or exchange, the Trustee will authenticate and deliver a new Bond or Bonds of the same maturity, for a like aggregate principal amount of authorized denominations; provided that the Trustee will not be required to register transfers or make exchanges of (i) Bonds for a period of 15 days next preceding the date of any selection of the Bonds to be redeemed, or (ii) any Bonds chosen for redemption.

## **SOURCES OF PAYMENT FOR THE BONDS**

### **Limited Obligations**

The Bonds are special, limited obligations of the District payable only from amounts pledged under the Indenture and from no other sources.

In the event that the Special Tax revenues are not received when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Trustee in the Special Tax Fund, including amounts held in the Reserve Account therein, for the exclusive benefit of the owners of the Bonds, and foreclosure proceeds resulting from the sale of delinquent parcels if and when available. See “—Reserve Account of the Special Tax Fund.”

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE CITY, THE COUNTY OF RIVERSIDE, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET TAXES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY OR GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES TO BE LEVIED IN THE DISTRICT AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED HEREIN.

## Special Taxes

***Authorization and Pledge.*** In accordance with the provisions of the Act, the City established the District on March 5, 2019 for the purpose of financing the various public improvements and services required in connection with the proposed development within the District. On March 5, 2019, an election was held within the District at which the landowners eligible to vote approved the issuance of bonds for the District in an amount not to exceed \$4,000,000, secured by special taxes levied on property within the District to finance Facilities. The landowners within the District also voted to approve the Rate and Method which authorized the Special Tax to be levied to repay indebtedness issued for the benefit of the District, including the Bonds. There are three types of special taxes levied by the District: a special tax for facilities, a special tax for maintenance services and a special tax for public services. Throughout this Official Statement, all references to the Special Tax shall refer to the special tax for facilities. **The special tax for maintenance services and the special tax for public services are not pledged to, and shall not be available to make payments on, the Bonds.**

The District will covenant in the Indenture that it will levy Special Taxes up to the maximum rates permitted under the Rate and Method in an amount sufficient, together with other amounts on deposit in the Special Tax Fund, to pay the principal of and interest on any Outstanding Bonds and any Parity Bonds, to maintain the Reserve Account at the Reserve Requirement and to pay the estimated Administrative Expenses.

The “Special Taxes” are the special taxes for facilities authorized to be levied and collected by the District in accordance with the Rate and Method and the Act. The Special Taxes are collected in the manner and at the same time as *ad valorem* property taxes are collected and are subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for *ad valorem* property taxes. See APPENDIX A—“RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

The “Net Taxes” pledged by the District to the Bonds (and any Parity Bonds) is defined in the Indenture as the “Gross Taxes” minus amounts permitted to be set aside prior to the payment of the principal of and interest on the Bonds and Parity Bonds in order to pay Administrative Expenses up to the Administrative Expenses Cap. The Administrative Expenses Cap shall be \$20,000 annually.

“Gross Taxes” is defined in the Indenture as the amount of all Special Taxes received by the District from the Treasurer, together with all payments made with respect to tax-defaulted parcels (including all delinquent and redemption penalties, fees and costs) and the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Indenture.

Except for Prepayments which shall be deposited to the Redemption Account, the Trustee will, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund. The Trustee will transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the Indenture, in the following order of priority, to:

- (1) The Administrative Expenses Fund;
- (2) The Interest Account of the Special Tax Fund;
- (3) The Principal Account of the Special Tax Fund;
- (4) The Redemption Account of the Special Tax Fund;
- (5) The Reserve Account of the Special Tax Fund;
- (6) The Rebate Fund; and

(7) The Surplus Fund.

Notwithstanding the foregoing, the total amount transferred to the Administrative Expenses Fund in a Bond Year shall not exceed the Administrative Expenses Cap until such time as there has been deposited to the Interest Account and the Principal Account an amount, together with any amounts already on deposit therein, that is sufficient to pay the interest and principal on all Bonds and Parity Bonds due in such Bond Year and to restore the Reserve Account to the Reserve Requirement.

See APPENDIX D—“SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE.”

The Special Taxes levied in any fiscal year may not exceed the maximum rates authorized pursuant to the Rate and Method. The initial Special Tax levy commenced in Fiscal Year 2020-21. See APPENDIX A—“RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto. There is no assurance that the Special Tax proceeds will, in all circumstances, be adequate to pay the principal of and interest on the Bonds when due. See the caption “*Limitation on Special Tax Levy and Potential Impact on Coverage*” below and “SPECIAL RISK FACTORS—Insufficiency of Special Taxes” herein.

***Rate and Method of Apportionment of Special Tax.*** The District is legally authorized and will covenant to cause the levy of the Special Taxes in an amount determined according to a methodology, i.e., the Rate and Method which the City Council and the electors within the District have approved. The Rate and Method apportions the total amount of Special Taxes to be collected among the taxable parcels in the District as more particularly described below. There are three types of special taxes levied by the District: a special tax for facilities, a special tax for maintenance services and a special tax for public services. See “—Special Taxes—*Authorization and Pledge.*”

The following is a synopsis of the provisions of the Rate and Method for the District, which should be read in conjunction with the complete text of the Rate and Method which is attached as APPENDIX A—“RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” The meanings of the defined terms used in this section are as set forth in Appendix A. This section provides only a summary of the Rate and Method, and is qualified by more complete and detailed information contained in the entire Rate and Method attached as Appendix A.

“*Building Permit*” means a permit for new construction for a residential or non-residential structure. For purposes of this definition, “Building Permit” shall not include permits for construction or installation of retaining walls, utility improvements, or other such improvements not intended for human habitation.

“*Developed Property*” means all Parcels of Taxable Property that are included in a Final Map that was recorded prior to January 1st preceding the Fiscal Year in which the Special Tax is being levied and for which a Building Permit for new construction has been issued on or prior to March 1st preceding the Fiscal Year in which the Special Tax is being levied, as determined by the CFD Administrator.

“*Exempt Property*” means all Assessor’s Parcels designated as being exempt from Special Tax as more fully set forth below.

“*Final Map Property*” means all Assessor’s Parcels: (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) for which a Building Permit was not issued prior to the March 1st preceding the Fiscal Year in which the Special Tax is being levied.

“*Minimum Acreage*” means the smallest allowable amount of taxable acreage. For the District, it shall not be less than 12.97 acres. The minimum acreage per Zone is as follows: (i) Zone 1 – 7.10 acres and (ii) Zone 2 – 5.87 acres

*“Public Property”* means all Assessor’s Parcels which, as of July 1st of the Fiscal Year in which the Special Tax is being levied, are used for rights-of-way or any other purpose and is owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State of California, the County, or any other local jurisdiction, provided, however, that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use.

*“Special Tax for Facilities”* means any of the special taxes authorized to be levied by the District pursuant to the Act to fund the Special Tax Requirement for Facilities.

*“Special Tax Requirement for Facilities”* means the amount required in any Fiscal Year to pay (i) the debt service or the periodic costs on all outstanding Bonds due in the Calendar Year that commences in such Fiscal Year, (ii) Administrative Expenses, (iii) the costs associated with the release of funds from an escrow account, (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds, and (v) the collection or accumulation of funds for the acquisition or construction of facilities authorized by the District provided that the inclusion of such amount does not cause an increase in the levy of Special Tax for Facilities on Final Map Property or Undeveloped Property, less (vi) any amounts available to pay debt service or other periodic costs on the Bonds pursuant to any applicable bond indenture, fiscal agent agreement, or trust agreement.

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

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

***Exempt Property.*** The City shall classify as Exempt Property: (i) Assessor’s Parcels defined as Public Property, (ii) Assessor’s Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor’s Parcels used exclusively by a homeowner’s association, or (iv) Assessor’s Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, provided that no such classification would reduce the sum of all Taxable Property to less than the Minimum Acreage per Zone. Notwithstanding the above, the City Council shall not classify an Assessor’s Parcel as Exempt Property pursuant to this paragraph if such classification would reduce the sum of all Taxable Property to less than the Minimum Acreage per Zone. Assessor’s Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than the Minimum Acreage per Zone will continue to be classified as Undeveloped Property, and will continue to be subject to Special Taxes accordingly.

Tax-exempt status will be assigned in chronological order. If an Assessor’s Parcel’s classification is changed after the initial status is assigned, then its tax-exempt status will be revoked.

***Maximum Special Tax.*** The Maximum Special Tax provided for in the Rate and Method is as follows:

#### Developed Property

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

### Undeveloped Property and Final Map Property

The Maximum Special Tax for each Assessor's Parcel classified as Undeveloped Property and Final Map Property in any Fiscal Year shall be the Assigned Special Tax for the Zone in which the Assessor's Parcel is located.

***Assigned Special Tax.*** The Assigned Special Tax is determined as follows:

### Developed Property

Each Fiscal Year, each Assessor's Parcel of Developed Property shall be subject to an Assigned Special Tax based upon the Zone in which the Assessor's Parcel is located. The Assigned Annual Special Tax applicable to an Assessor's Parcel of Developed Property for any Fiscal Year shall range from \$1,270 to \$1,450 for Residential Property in Zone 1 and \$1,310 to \$1,505 for Residential Property in Zone 2.

***Backup Special Tax.*** When a Final Map is recorded, the CFD Administrator shall determine which Zone the Final Map area lies within and the Backup Special Tax for a Parcel classified or to be classified as Residential Property within such Final Map shall be determined by multiplying the Undeveloped Property Maximum Special Tax rate per Acre for the applicable Zone by the total Acreage of Taxable Property within such Final Map, excluding the Acreage associated with Non-Residential Property, Public Property and/or Property Owners' Association Property that is not Exempt Property and dividing such amount by the number of Parcels within such Final Map classified as either (i) Developed Property or (ii) Final Map Property for which a Building Permit is expected to be issued for Residential Property (i.e., the number of residential lots).

Notwithstanding the forgoing, if Parcels classified or to be classified as Residential Property are subsequently changed or modified by recordation of a lot line adjustment or similar instrument, then the Backup Special Tax shall be recalculated for the area that has been changed or modified using the methodology described in the preceding paragraph.

The Backup Special Tax shall not apply to Non-Residential Property, Public Property, or Property Owners' Association Property.

***Method of Apportionment of Special Tax.*** Commencing in Fiscal Year 2019-20 and for each subsequent Fiscal Year until terminated, the City Council shall levy Special Taxes on all Taxable Property until the total amount of Special Taxes levied equals the Special Tax Requirement in accordance with the following steps:

**First:** 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 rate as needed to satisfy the Special Tax Requirement for Facilities;

**Second:** If additional moneys are needed to satisfy the Special Tax Requirement for Facilities after the first step has been completed, the Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Final Map Property, at up to 100% of the Assigned Special Tax for Facilities applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement for Facilities;

**Third:** If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property, excluding any Undeveloped Property pursuant to Section J of the Rate and Method, at up to 100% of the Assigned Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement for Facilities;



Fourth: If additional moneys are needed to satisfy the Special Tax Requirement for Facilities after the first three steps have been completed, then for each Assessor's Parcel of Developed Property whose Maximum Special Tax for Facilities is the Backup Special Tax for Facilities shall be increased Proportionately from the Assigned Special Tax for Facilities up to 100% of the Backup Special Tax for Facilities as needed to satisfy the Special Tax Requirement for Facilities; and

Fifth: If additional moneys are needed to satisfy the Special Tax Requirement for Facilities after the first four steps have been completed, the Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Property Owner's Association Property and Public Property, found not be exempt, at up to 100% of the Assigned Special Tax for Facilities applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement for Facilities.

***Prepayment of Special Taxes.*** The Special Tax obligation of an Assessor's Parcel of Developed Property, an Assessor's Parcel of Final Map Property or Undeveloped Property for which a building permit has been issued or an Assessor's Parcel of Undeveloped Property that is classified as Undeveloped Property may be prepaid in part or in full, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time that the Special Tax obligation would be prepaid. The Prepayment Amount is calculated based on the Bond Redemption Amount plus Redemption Premium plus Future Facilities Costs plus the Defeasance Amount plus the Administrative Fees and Expenses, and less a credit for the resulting reduction in the Reserve Requirement for the Bonds (if any), all as specified in APPENDIX A—"RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX—Section G."

***Estimated Debt Service Coverage.*** Pursuant to the Rate and Method, and subject to the Maximum Special Taxes prescribed therein and permitted by the Act, the District will levy Special Taxes on all Taxable Property until the amount of Special Taxes levied equals the Special Tax Requirement. The Bonds have been sized so that the Assigned Special Taxes that may be levied in each Fiscal Year produce an amount equal to at least 110% of the debt service due on the Bonds in such Fiscal Year plus Administrative Expenses of \$20,000. As of July 30, 2020, all 118 lots had building permits pulled and will be classified and levied against as Developed Property beginning in Fiscal Year 2020-21.

***Limitation on Special Tax Levy and Potential Impact on Coverage.*** 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 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 District may not be able to increase the tax levy to the Assigned Special Tax in all years. In addition, under the Rate and Method, in no event shall the Maximum Special Tax for Facilities be levied after Fiscal Year 2055-56.

***Collection of Special Taxes.*** The Special Taxes are levied and collected by the Treasurer-Tax Collector of the County of Riverside in the same manner and at the same time as *ad valorem* property taxes. The District may, however, collect the Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

The County of Riverside assesses and collects secured and unsecured property taxes for the cities, school districts, and special districts within the County of Riverside, including the Special Taxes for the District. The delinquency dates for property tax payments are December 10 for the first installment and April 10 for the second installment. Once the property taxes are collected, the County of Riverside conducts its internal reconciliation for accounting purposes and distributes the City's share of such taxes (including the Special Taxes) to the City, periodically and typically pursuant to a published schedule. Prior to distribution, the moneys are deposited in an account established on behalf of the County of Riverside in the Riverside County Investment Pool (the "Pool") which is invested by the County Treasurer. If the County of Riverside or the Pool were at any time to become subject to bankruptcy proceedings, it is possible that District property

taxes held in the Pool (including the Special Taxes), if any, could be temporarily unavailable to the County of Riverside. The District does not participate in the County's Teeter Plan, which is an alternate method for allocating property taxes by counties. Accordingly, the collection of Special Taxes is subject to delinquencies.

The Special Tax is being levied for the first time in Fiscal Year 2020-21 and in the amount of \$160,920. See "THE COMMUNITY FACILITIES DISTRICT—Delinquency History."

The District will make certain covenants in the Indenture for the purpose of ensuring that the current maximum Special Tax rates and method of collection of the Special Taxes are not altered in a manner that would impair the District's ability to collect sufficient Special Taxes to pay debt service on the Bonds and Administrative Expenses when due. First, the District will covenant that, to the extent it is legally permitted to do so, it will not reduce the maximum Special Tax rates and will oppose the reduction of maximum Special Tax rates by initiative where such reduction would reduce the maximum Special Taxes below current levels unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, among other things, on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property (as defined in the Rate and Method then in effect in the District) in each Bond Year for any Bonds and Parity Bonds Outstanding will equal at least the sum of the estimated Administrative Expenses and 110% of gross debt service in each Bond Year on all Bonds and Parity Bonds to remain Outstanding after the reduction is approved, (ii) the District finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds and Parity Bonds, and (iii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds. For purposes of estimating Administrative Expenses for the foregoing calculation, the Independent Financial Consultant shall assume Administrative Expenses equal to the Administrative Expense Cap.

Second, the District will covenant not to permit the tender of Bonds or Parity Bonds in payment of any Special Taxes unless the District shall have first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Special Tax revenues to pay the principal of and interest on the Bonds and Parity Bonds when due. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE."

Although the Special Taxes constitute liens on taxed parcels within the District, they do not constitute a personal indebtedness of the owners of property within the District. In addition to the obligation to pay Special Taxes, properties in the District are subject to other assessments and special taxes as set forth under Table 6 herein. These other special taxes and assessments are co-equal to the lien for the Special Taxes. Moreover, other liens for taxes and assessments could come into existence in the future in certain situations without the consent or knowledge of the City or the landowners in the District. See "SPECIAL RISK FACTORS—Parity Taxes and Special Assessments" herein. There is no assurance that property owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if financially able to do so, all as more fully described in the section of this Official Statement entitled "SPECIAL RISK FACTORS."

***Proceeds of Foreclosure Sales.*** The proceeds of delinquent Special Taxes received following a judicial foreclosure sale of parcels within the District resulting from a landowner's failure to pay the Special Taxes when due, up to the amount of the delinquent Special Tax lien, are included within the Special Tax revenues pledged to the payment of principal and interest on the Bonds under the Indenture.

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax or receipt by the District of Special Taxes in an amount which is less than the Special Tax levied, the City Council, as the legislative body of the District, may order that Special Taxes be collected by a superior court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the Act, the commencement of judicial

foreclosure following the nonpayment of a Special Tax is not mandatory. However, the District will covenant for the benefit of the Owners of the Bonds and the landowners of property in the District securing such Bonds that it will review the public records of the County of Riverside, California, in connection with the collection of the Special Tax not later than July 1 of each year to determine the amount of Special Tax collected in the prior Fiscal Year; and with respect to individual delinquencies within the District, if the District determines that any single property owner subject to the Special Tax is delinquent in the payment of Special Taxes in the aggregate of \$2,500 or more or as to any single parcel the delinquent Special Taxes represent more than 5% of the aggregate Special Taxes within the District, then the District will send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) the District will cause judicial foreclosure proceedings to be filed in the Superior Court within ninety (90) days of such determination against all properties for which the Special Taxes remain delinquent.

The District covenants that it will deposit any Gross Taxes received in connection with a foreclosure in the Special Tax Fund and will apply such proceeds remaining after the payment of Administrative Expenses to make current payments of principal and interest on the Bonds and any Parity Bonds, to bring the amount on deposit in the Reserve Account up to the Reserve Requirement and to pay any delinquent installments of principal or interest due on the Bonds and any Parity Bonds.

See APPENDIX D—“SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE—COVENANTS AND WARRANTY” herein.

If foreclosure is necessary and other funds (including amounts in the Reserve Account) have been exhausted, debt service payments on the Bonds could be delayed until the foreclosure proceedings have ended with the receipt of any foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the City and the District. See “SPECIAL RISK FACTORS—Bankruptcy and Foreclosure” herein. Moreover, no assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See “SPECIAL RISK FACTORS—Property Values” herein. Although the Act authorizes the District to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the District or the City any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale. The Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for *ad valorem* taxes.

### **No Teeter Plan**

The District does not participate in the County’s Teeter Plan described above. Accordingly, the collection of Special Taxes is subject to delinquencies.

### **Reserve Account of the Special Tax Fund**

In order to secure further the payment of principal of and interest on the Bonds, the District is required, upon delivery of the Bonds, to deposit in the Reserve Account an amount equal to the Reserve Requirement and thereafter to maintain in the Reserve Account an amount equal to the Reserve Requirement.

In the Indenture, “Reserve Requirement” is defined to mean that amount as of any date of calculation equal to the lesser of (i) 10% of the initial principal amount of the Bonds and Parity Bonds, if any, (ii) Maximum Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any; and (iii) 125% of average Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any. Notwithstanding the foregoing, in no event shall the Reserve Requirement exceed the initial Reserve Requirement of \$\_\_\_\_\_.

Subject to the limits on the maximum annual Special Tax which may be levied within the District in accordance with the Rate and Method set forth in Appendix A, the District will covenant to levy Special Taxes in an amount that is anticipated to be sufficient, in light of the other intended uses of the Special Tax proceeds, to maintain the balance in the Reserve Account at the Reserve Requirement. Amounts in the Reserve Account are to be applied to (i) pay debt service on the Bonds and any Parity Bonds, to the extent other moneys in the Interest Account and the Principal Account are insufficient therefor; (ii) make any required transfer to the Rebate Fund pursuant to the Indenture; (iii) redeem the Bonds and any Parity Bonds in whole or in part; and (iv) pay the principal and interest due in the final year of maturity of a series of the Bonds and any Parity Bonds. See APPENDIX D—“SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE—CREATION OF FUNDS AND APPLICATION OF REVENUES AND NET TAXES—Reserve Account of the Special Tax Fund” herein.

### **Surplus Fund**

After the transfer of Administrative Expenses to the Administrative Expense Fund up to the Administrative Expenses Cap, the payment of principal of and interest on the Bonds when due, transfers to the Redemption Account to pay principal and premium, if any, on Bonds called for redemption, transfers to replenish the Reserve Account to the Reserve Requirement and any required transfers to the Rebate Fund, as soon as practicable after each September 1, and in any event prior to each September 15, the Trustee will transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, other than amounts in the Special Tax Fund which (i) the District has included as being available in the Special Tax Fund in calculating the amount of the levy of Special Taxes for such Fiscal Year pursuant to the Indenture or (ii) amounts to be transferred to the Acquisition and Construction Fund because such amounts were included in the levy of Special Taxes for the previous Fiscal Year to pay for the acquisition or construction of the Project. Moneys deposited in the Surplus Fund may be applied to pay the principal of, including Sinking Fund Payments, premium, if any, and interest on the Bonds and any Parity Bonds when due in the event that moneys in the Special Tax Fund and the Reserve Account of the Special Tax Fund are insufficient therefor, to replenish the Reserve Account to the Reserve Requirement, to pay Administrative Expenses in excess of the Administrative Expenses Cap, to pay Project Costs, or for any other lawful purpose of the District.

The amounts in the Surplus Fund are not pledged to the repayment of the Bonds or any Parity Bonds and may be used by the District for any lawful purpose.

### **Issuance of Parity Bonds**

The District may at any time after the issuance and delivery of the Bonds issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be issued for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then Outstanding. Parity Bonds which may only be issued to effect a partial refunding may be issued if the Annual Debt Service on the Bonds and Parity Bonds to remain Outstanding following the issuance of the Parity Bonds proposed to be issued is less than the Annual Debt Service on the Bonds and Parity Bonds Outstanding prior to the issuance of such Parity Bonds in each Bond Year.

See APPENDIX D—“SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE—DEFEASANCE AND PARITY BONDS—Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness.”

## **THE COMMUNITY FACILITIES DISTRICT**

### **General**

The City formed the District on March 5, 2019. The District is located in the northeastern portion of the City, bounded by Carnation Way to the North and Xenia Avenue to the east. The District consists of two non-contiguous parcels of land divided into two zones: Zone 1 and Zone 2. The District is comprised of approximately 19.3 acres of land, of which approximately 16.9 acres is developable.

The District is part of the Developer's master planned community of Sundance. The Developer has reported to the City that Sundance is expected to consist of approximately 4,450 residential units on approximately 1,195 acres of land, with 13.5 acres of commercial/industrial land uses and the balance set aside for public/quasi/public uses. The Developer expects the market rate portions of the Sundance community will be completed by June 2021; however, there is an age-restricted development within Sundance that will not be completed until 2025.

### **Status of Development in the District**

The property within the District contains 118 parcels. As of July 30, 2020, which is the date of value set forth in the Appraisal Report, individual homeowners owned 95 completed homes, while the Developer owned the remaining 7 completed homes and 16 homes under construction. As of July 30, 2020, building permits had been issued for all of the parcels within the District; accordingly, all lots will be classified as Developed Property, and Special Taxes will be levied against such properties, beginning in Fiscal Year 2020-21. As of August 17, 2020, an additional 2 completed homes had been conveyed to individual homeowners and 20 homes were under contract for sale.

Annual Debt Service for the Bonds has been structured so that Assigned Special Taxes levied on all taxable parcels of Developed Property, assuming no delinquencies, will generate in each Fiscal Year not less than 110% of debt service payable with respect to the Bonds in the calendar year that begins in that Fiscal Year, plus estimated Administrative Expenses, assuming that Special Taxes are levied and collected on such Developed Property in the District pursuant to the Rate and Method.

Table 1 below sets forth the Assigned Special Tax per unit of Developed Property, the Fiscal Year 2020-21 projected Special Tax levy and the percent of such levy based on land use class and Zone.

**TABLE 1**  
**CITY OF BEAUMONT**  
**COMMUNITY FACILITIES DISTRICT NO. 2019-1**  
**ASSIGNED SPECIAL TAXES**

<b>Zone/Land Use Class</b>	<b>Land Use</b>	<b>No. of Parcels</b>	<b>FY 2021-22 Assigned Special Tax per Dwelling Unit</b>	<b>FY 2021-22 Projected Special Tax Per Parcel*</b>	<b>Total Projected FY 2021-22 Special Tax Levy <sup>(1)</sup> *</b>	<b>Percent of Total</b>
<b><u>Zone 1</u></b>						
1	Residential Less than 1,800 sq. ft.	30	\$1,270	\$1,153	\$ 34,579	23.68%
2	Residential 1,800 sq. ft. to 2,000 sq. ft.	28	1,360	1,234	34,561	23.66
3	Residential Greater than 2,000 sq. ft.	29	1,450	1,316	38,164	26.13
<b><u>Zone 2</u></b>						
1	Residential Less than 2,000 sq. ft.	15	1,310	1,189	17,834	12.21
2	Residential 2,000 sq. ft. to 2,249 sq. ft.	8	1,375	1,248	9,984	6.84
3	Residential 2,250 sq. ft. to 2,500 sq. ft.	0	1,440	0	0	0.00
4	Residential Greater than 2,500 sq. ft.	8	1,505	1,366	10,927	7.48
<b>Total</b>		<b>118</b>			<b>\$ 146,050</b>	<b>100.00%</b>

\* Preliminary, subject to change.

(1) Levied in an amount sufficient to cover debt service on the Bonds and pay Administrative Expenses of \$20,000.

Source: WEBB Municipal Finance, LLC.

### **Description of Authorized Facilities**

Certain facilities are authorized to be constructed and acquired (the “Facilities”) by the District. These Facilities include, but are not limited to the following:

- Design and construction of Highland Springs Avenue and related street improvements
- Design and construction of Cherry Avenue and related street improvements
- Design and construction of storm drain improvements along Cherry Avenue
- Design and construction of sewer improvements along Cherry Avenue

### **Appraisal Report**

The estimated assessed value of the property within the District, as shown on the County’s assessment roll for Fiscal Year 2019-20, is approximately \$1,412,388. However, as a result of the requirements of Article XIII A of the California Constitution, a property’s assessed value is not necessarily indicative of its market value. In order to provide information with respect to the value of the property within the District, the City engaged Integra Realty Resources, the Appraiser, to prepare the Appraisal Report. The Appraiser has an “MAI” designation from the Appraisal Institute and has prepared numerous appraisals for the sale of land-secured municipal bonds. The Appraiser was selected by the City through a request for proposal process and has no material relationships with the City, the District, or the owners of the land within the District other than the relationship represented by the engagement to prepare the Appraisal Report. The City instructed the Appraiser to prepare its analysis and report in conformity with City-approved guidelines and the Appraisal Standards for Land Secured Financings published in 1994 and revised in 2004 by the California Debt and Investment Advisory Commission. A copy of the Appraisal Report is included as APPENDIX H—“APPRAISAL REPORT” to this Official Statement.

The purpose of the Appraisal Report was to estimate the market value, by parcel, and aggregate value of the “as is” condition of the property within the District subject to the Special Taxes because such property did not have an improved value on the Fiscal Year 2020-21 County Assessor’s roll. The estimate of market value takes into consideration and assumes the improvements to be funded with the proceeds of the Bonds have been installed and that the development costs provided to the Appraiser by the Developer include all of the costs necessary to bring the subject properties to a finished lot condition. Subject to the contingencies, assumptions and limiting conditions set forth in the Appraisal Report, the Appraiser concluded that, as of July 30, 2020 the value of the Taxable Parcels (based on market values) within the District was \$33,982,000.

In estimating the market value, the Appraiser utilized a direct comparison approach and static residual analysis for all of the property owned by the merchant builders to derive a value indication for the finalized lots within each tract adjusted by any costs to complete such finished lots.

Reference is made to Appendix H for a complete list of the assumptions and limiting conditions and a full discussion of the appraisal methodology and the basis for the Appraiser’s opinions. In the event that any of the contingencies, assumptions and limiting conditions are not actually realized, the value of the property within the District may be less than the amount reported in the Appraisal Report. In any case, there can be no assurance that any portion of the property within the District would actually sell for the amount indicated by the Appraisal Report.

The Appraisal Report merely indicates the Appraiser’s opinion as to the market value of the property referred to therein as of the date and under the conditions specified therein. The Appraiser’s opinion reflects conditions prevailing in the applicable market as of the date of the Appraisal Report. The Appraiser’s opinion does not predict the future value of the subject property, and there can be no assurance that market conditions will not change adversely in the future. See, for example, “SPECIAL RISK FACTORS—COVID-19 (Coronavirus) Pandemic.”

It is a condition precedent to the issuance of the Bonds that the Appraiser deliver to the District a certification to the effect that, while the Appraiser has not updated the Appraisal Report since its date and has not undertaken any obligation to do so, nothing has come to the attention of the Appraiser subsequent to the date of the Appraisal Report that would cause the Appraiser to believe that the value of the property that it appraised in the District is less than the value reported in the Appraisal Report. However, the Appraiser notes that acts and events may have occurred since the date of the Appraisal Report which could result in both positive and negative effects on market value within the District.

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

Table 2 below incorporates the values assigned to parcels in the Appraisal Report, the estimated principal amount of the Bonds allocable to each category of parcels and the estimated assessed/appraised value-to-lien ratios for various categories of parcels based upon land values as of July 30, 2020 as set forth in the Appraisal Report and based on information received from the Developer. Based on the principal amount of the Bonds, the estimated appraised District-wide value-to-lien ratio including all Taxable Property as of July 30, 2020 is 17.21-to-1\*. This ratio does not include other direct and overlapping debt within the District. See “—Direct and Overlapping Indebtedness” below. Taking that direct and overlapping debt into account, the ratio of the aggregate assessed/appraised value of the Taxable Property within the District to the total principal amount of all direct and overlapping bonded debt for the District is approximately 16.90-to-1\*.

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\* Preliminary, subject to change.

**TABLE 2**  
**CITY OF BEAUMONT**  
**COMMUNITY FACILITIES DISTRICT NO. 2019-1**  
**APPRAISED VALUE-TO-LIEN RATIOS**  
**ALLOCATED BY PROPERTY OWNER**

<i>Property Owner<sup>(1)</sup></i>	<i>Parcels</i>	<i>Projected Fiscal Year 2020-21 Maximum Special Tax *</i>	<i>Projected Percent of Fiscal Year Maximum 2020-21 *</i>	<i>Projected Fiscal Year 2020-21 Special Tax Levy<sup>(2) *</sup></i>	<i>Projected Percent of Fiscal Year 2020-21 Special Tax Levy *</i>	<i>Assessed/ Appraised Value</i>	<i>Allocation of Bonds<sup>(3) *</sup></i>	<i>Aggregate Value-to-Lien Ratio<sup>(4) *</sup></i>
Developed - Pardee Homes	23	\$ 36,050	19.85%	\$ 28,190	19.30%	\$ 4,508,000	\$ 381,205	11.83:1
Developed - Individual Owned	95	145,590	80.15	117,860	80.70	29,474,000	1,593,795	18.49:1
<b>Subtotal Developed</b>	<b>118</b>	<b>\$ 181,641</b>	<b>100.00%</b>	<b>\$ 146,050</b>	<b>100.00%</b>	<b>\$ 33,982,000</b>	<b>\$ 1,975,000</b>	<b>17.21:1</b>

\* Preliminary, subject to change.

(1) Ownership status is based on information from Appraisal and from the Developer as of July 30, 2020.

(2) Based on par amount of the Bonds plus Administrative Expenses in the amount of \$20,000.

(3) Based on projected Fiscal Year 2021-22 Special Tax levy.

(4) Aggregate Value-to-Lien based upon the par amount of the Bonds. Excludes direct and overlapping debt shown in Table 4.

Source: WEBB Municipal Finance, LLC.



Table 3 below summarizes the assessed/appraised value-to-lien of the individual parcels within the District by value-to-lien range based on total market value as of July 30, 2020.

**TABLE 3**  
**CITY OF BEAUMONT**  
**COMMUNITY FACILITIES DISTRICT NO. 2019-1**  
**APPRAISED VALUE-TO-LIEN STRATIFICATION<sup>†\*</sup>**

<i>Assessed/Appraised Value-to-Lien<sup>(1)</sup></i>	<i>No. of Parcels</i>	<i>Percent of Total Parcels</i>	<i>Projected Fiscal Year 2020-21 Special Tax Levy<sup>(4)</sup></i>	<i>Projected Percent of Fiscal Year 2020-21 Levy</i>	<i>Projected Fiscal Year 2020-21 Assigned Special Tax</i>	<i>Projected Percent of Assigned Special Tax</i>	<i>Assessed/ Appraised Value</i>	<i>Percent of Assessed/ Appraised Value</i>	<i>Allocation of 2020 Bonds<sup>(5)</sup></i>	<i>Aggregate Value-to- Lien</i>
Less than 10.00:1 <sup>(2)</sup>	10	8.47%	\$ 12,026	8.23%	\$ 13,250	8.23%	\$ 1,183,000	3.48%	\$ 162,620	7.27:1
10.00:1 to 14.99:1	6	5.08	7,488	5.13	8,250	5.13	1,176,000	3.46	101,254	11.61:1
15.00:1 to 19.99:1	91	77.12	113,163	77.48	124,685	77.48	27,652,000	81.37	1,530,281	18.07:1
Greater than 19.99:1 <sup>(3)</sup>	<u>11</u>	<u>9.32</u>	<u>13,373</u>	<u>9.16</u>	<u>14,735</u>	<u>9.16</u>	<u>3,971,000</u>	<u>11.69</u>	<u>180,845</u>	<u>21.96:1</u>
<b>Total</b>	<b>188</b>	<b>100.00%</b>	<b>\$ 146,050</b>	<b>100.00%</b>	<b>\$ 160,920</b>	<b>100.00%</b>	<b>\$ 33,982,000</b>	<b>100.00%</b>	<b>\$ 1,975,000</b>	<b>17.21:1</b>

\* Preliminary, subject to change.

(1) Assessed/Appraised Value-to-Lien based upon par amount of the Bonds. Excludes direct and overlapping debt shown in Table 4.

(2) Minimum estimated Value-to-Lien is 5.51:1.\*

(3) Highest estimated Value-to-Lien is 22.45:1.\*

(4) Based on debt service requirement of the Bonds plus Administrative Expenses in the amount of \$20,000.

(5) Based on projected Fiscal Year 2021-22 Special Tax levy.

Source: WEBB Municipal Finance, LLC.

## **Direct and Overlapping Debt**

The District is included within the boundaries of overlapping local agencies providing governmental services. Some of these local agencies have outstanding bonds, and/or the authority to issue bonds, payable from taxes or assessments. The existing and authorized indebtedness payable from taxes and assessments that may be levied upon the property within the District is shown in Table 4 below. In addition to current debt, new community facilities districts and/or special assessment districts could be formed in the future encompassing all or a portion of the property within the District; and such districts or the agencies that formed them could issue more bonds and levy additional special taxes or assessments.

**TABLE 4**  
**CITY OF BEAUMONT**  
**COMMUNITY FACILITIES DISTRICT NO. 2019-1**  
**DIRECT AND OVERLAPPING DEBT**

**I. ASSESSED/APPRaised VALUE**

Assessed/Appraised Valuation<sup>(1)</sup> \$ 33,982,000

**II. LAND SECURED BOND INDEBTEDNESS**

<i>Outstanding Direct and Overlapping Bonded Debt</i>	<i>Type</i>	<i>No. of Parcels</i>	<i>Issued</i>	<i>Outstanding</i>	<i>% Applicable</i>	<i>Amount Applicable</i>
BEAUMONT CFD 2019-1	CFD	118	\$1,975,000*	\$1,975,000 <sup>(2)</sup> *	100.00%	\$ 1,975,000*
<b>TOTAL OUTSTANDING LAND SECURED BONDED DEBT<sup>(3)</sup></b>						<b>\$ 1,975,000*</b>

<i>Authorized and Unissued Direct and Overlapping Bonded Debt</i>	<i>Type</i>	<i>No. of Parcels</i>	<i>Authorized</i>	<i>Unissued<sup>(4)</sup></i>	<i>% Applicable</i>	<i>Amount Applicable</i>
BEAUMONT CFD 2019-1	CFD	118	\$ 4,000,000	\$ 0 <sup>(4)</sup>	100.00%	\$ 0
<b>TOTAL UNISSUED LAND SECURED INDEBTEDNESS</b>						<b>\$ 0</b>

**TOTAL OUTSTANDING AND UNISSUED LAND SECURED INDEBTEDNESS** \$ 1,975,000\*

**III. GENERAL OBLIGATION BOND INDEBTEDNESS**

<i>Outstanding Direct and Overlapping Bonded Debt</i>	<i>Type</i>	<i>No. of Parcels</i>	<i>Issued</i>	<i>Outstanding</i>	<i>% Applicable<sup>(4)</sup></i>	<i>Amount Applicable</i>
Beaumont Unified School B & I (0.07438%)	GO	118	\$ 91,658,583	\$ 82,562,937	0.02170%	\$ 17,916
MT San Jacinto Comm (0.01320%)	GO	118	190,000,000	164,385,000	0.00147	2,412
San Gorgonio Memorial Healthcare District (0.06990%)	GO	118	108,000,000	106,565,000	0.01490	15,873
San Gorgonio Pass Water Agency (0.17750%)	GO	118	0	0	0.01387	0
<b>TOTAL OUTSTANDING GENERAL OBLIGATION BONDED DEBT<sup>(3)</sup></b>						<b>\$ 36,201</b>

<i>Authorized and Unissued Direct and Overlapping Indebtedness</i>	<i>Type</i>	<i>No. of Parcels</i>	<i>Authorized</i>	<i>Unissued</i>	<i>% Applicable<sup>(4)</sup></i>	<i>Amount Applicable</i>
Beaumont Unified School B & I (0.07438%)	GO	118	\$141,000,000	\$ 49,341,417	0.02170%	\$ 10,707
MT San Jacinto Comm (0.01320%)	GO	118	295,000,000	105,000,000	0.00147	1,540
San Gorgonio Memorial Healthcare District (0.06990%)	GO	118	108,000,000	0	0.01490	0
San Gorgonio Pass Water Agency (0.17750%)	GO	118	0	0	0.01387	0
<b>TOTAL UNISSUED GENERAL OBLIGATION INDEBTEDNESS<sup>(3)</sup></b>						<b>\$ 12,247</b>

**TOTAL OUTSTANDING AND UNISSUED GENERAL OBLIGATION INDEBTEDNESS** \$ 48,448

**TOTAL OF ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT<sup>(5)</sup>** \$ 2,011,201\*

**TOTAL OF ALL OUTSTANDING AND UNISSUED DIRECT AND OVERLAPPING INDEBTEDNESS** \$ 2,023,448\*

**IV. Ratios to Appraised Valuation**

Outstanding Land Secured Bonded Debt	17.21:1*
Total Outstanding Bonded Debt	16.90:1*

\* Preliminary, subject to change.

(1) Assessed/appraised value is per the Appraisal Report and as of July 30, 2020.

(2) Amount outstanding is equal to the initial principal amount of the Bonds.

(3) Additional bonded debt or available bond authorization may exist but is not shown because a tax was not levied for Fiscal Year 2019-20.

(4) Additional bonds may be issued for refunding purposes only.

(5) Percentage applicable determined by Fiscal Year 2019-20 Equalized Roll Assessed Value information.

Source: WEBB Municipal Finance, LLC.

Annual Debt Service for the Bonds has been structured so that Assigned Special Taxes levied on all taxable parcels of Developed Property, assuming no delinquencies, will generate in each Fiscal Year not less than 110% of debt service payable with respect to the Bonds in the calendar year that begins in that Fiscal Year, plus the Administrative Expenses Cap, assuming that Special Taxes are levied and collected on such Developed Property in the District pursuant to the Rate and Method.

Based on the principal amount of the Bonds, interest costs, Administrative Expenses being levied at the Administrative Expenses Cap, and Fiscal Year 2020-21 tax rates for all other taxing jurisdictions within the District, the total projected Fiscal Year 2021-22 average effective tax rate for Developed Property in the District is approximately 2.02%\* in Zone 1 and 1.98%\* in Zone 2 of the average value for parcels with improvement value. The following Table 5 sets forth the estimated total tax obligation of property in the District based on the average home size and an average value in the District, as set forth in the Appraisal Report.

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\* Preliminary, subject to change.

**TABLE 5**  
**CITY OF BEAUMONT**  
**COMMUNITY FACILITIES DISTRICT NO. 2019-1**  
**ESTIMATED AVERAGE FISCAL YEAR 2021-22 TAX OBLIGATION<sup>(1)</sup>**

	<i>Zone 1</i>	<i>Zone 2</i>
Average Home Value <sup>(2)</sup>	\$ 299,192	\$ 361,000
<b><i>Ad Valorem Property Taxes:</i></b>		
Ad-Valorem Tax Rate (1.00%)	\$ 2,991.92	\$ 3,610.51
Beaumont Unified School (0.07438%)	222.54	268.51
San Gorgonio Pass Memorial Hospital (0.06990%)	209.14	252.34
San Gorgonio Pass Water District (0.17750%)	531.07	640.78
Mt. San Jacinto Community College District (0.01320%)	39.49	47.65
<b>Total General Property Taxes</b>	<b>\$ 3,994.16</b>	<b>\$ 4,819.28</b>
<b><i>Assessment, Special Taxes &amp; Parcel Charges:</i></b>		
CFD 2019-1 <sup>(3)*</sup>	\$ 1,232.23	\$ 1,279.17
CFD 2019-1 Public Serv <sup>(4)</sup>	509.36	509.36
CFD 2019-1 Maint Serv <sup>(5)</sup>	241.71	466.61
FLD CNTL STORMWATER /CLEANWATER	3.27	3.27
San Gorgonio Hospital Measure D	55.10	55.10
<b>Total Assessment Charges*</b>	<b>\$ 2,041.66</b>	<b>\$ 2,313.51</b>
<b>Average Total Property Tax*</b>	<b>\$ 6,035.82</b>	<b>\$ 7,132.79</b>
<b>Average Effective Tax Rate*</b>	<b>2.02%</b>	<b>1.98%</b>

\* Preliminary, subject to change.

(1) Average Fiscal Year 2021-22 tax rates based upon Fiscal Year 2019-20 overlapping taxes and assessment rates.

(2) Average Home Value is based upon average Appraised Values for Developed parcels sold to individuals as indicated in the Appraisal Report.

(3) Reflects District's Average Fiscal Year 2021-22 Special Tax levy for Facilities.

(4) Reflects the District's Fiscal Year 2020-21 projected Special Tax Levy for Developed Property. Per the Rate and Method, the maximum special tax for public services for the prior fiscal year shall be adjusted by the greater of (i) an amount equal to the positive annual percent change in the Consumer Price Index for the Calendar Year ending in December of the prior fiscal year or (ii) five percent. As CPI data for December 2020 is not available, the percentage calculated pursuant to (i) cannot be precisely estimated. Instead, the most current data was used to estimate this amount, which rendered 5.00%.

(5) Reflects the District's Fiscal Year 2020-21 projected Special Tax Levy for Developed Property. Per the Rate and Method, the maximum special tax for maintenance services for the prior fiscal year shall be adjusted by the greater of (i) an amount equal to the positive annual percent change in the Consumer Price Index for the Calendar Year ending in December of the prior fiscal year or (ii) two percent. As CPI data for December 2020 is not available, the percentage calculated pursuant to (i) cannot be precisely estimated. Instead, the most current data was used to estimate this amount, which rendered 2.00%.

Source: WEBB Municipal Finance, LLC, based on assessed value information provided by the County.

### Special Tax History

Fiscal Year 2020-21 is the first fiscal year in which Special Taxes are being levied within the District. Unpaid amounts of the Special Taxes become delinquent after December 10 and April 10 of each Fiscal Year.

### Top Taxpayers

As of July 30, 2020, individual homeowners owned 95 of the 118 parcels in the District. Based on ownership status and development status as of July 30, 2020, individual homeowners are projected to be responsible for 80.70% of the Special Taxes projected to be levied in Fiscal Year 2021-22, with the Developer being responsible for the other 19.30%. The District is not aware of any individual, other than the Developer, who owns more than one parcel within the District.

## PROPERTY OWNERSHIP AND THE DEVELOPMENT

*The information regarding the development and ownership of the Property contained under this caption, "PROPERTY OWNERSHIP AND THE DEVELOPMENT," has been provided by representatives of Pardee Homes, a California corporation (the "Developer"), and has not been independently confirmed or verified by the Underwriter, the City or the District. The Underwriter, the City and the District make no representation as to the accuracy or adequacy of the information contained under this caption. There may be material adverse changes in this information after the date of this Official Statement. Neither the Bonds nor the Special Taxes securing the Bonds are personal obligations of the Developer or any affiliate thereof, or any other property owner and, in the event that any property owner defaults in the payment of its Special Taxes, the District may proceed with judicial foreclosure but has no direct recourse to the assets of any property owner or any affiliate thereof. See "SPECIAL RISK FACTORS" herein."*

The Developer is developing the property within the District. The District consists of two non-contiguous parcels of land divided into two zones: Zone 1 and Zone 2. The District consists of approximately 19.3 gross acres and approximately 16.9 net acres. All of the property within the District is located within Tract Map Nos. 37426 and 37427. The property within the District is being developed into a residential development of 118 single family detached homes that have been marketed as part of the master planned community of "Sundance." The Developer is an indirect, wholly-owned subsidiary of TRI Pointe Group, Inc., a Delaware corporation ("TRI Pointe Group"), a publicly traded company whose common stock is listed on the New York Stock Exchange under the ticker symbol "TPH." TRI Pointe Group is engaged in the design, construction and sale of single-family homes through its portfolio of six quality brands across ten states, including Maracay Homes in Arizona, Pardee Homes in California and Nevada, Quadrant Homes in Washington, Trendmaker Homes in Texas, TRI Pointe Homes in California, Colorado and the Carolinas, and Winchester Homes in Maryland and Virginia.

TRI Pointe Group is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information, including financial statements, with the Securities and Exchange Commission (the "SEC"). Such filings, particularly TRI Pointe Group's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, as filed with the SEC on February 19, 2020, its Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 as filed with the SEC on April 23, 2020, and its Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 as filed with the SEC on July 24, 2020, set forth, among other things, certain data relative to the consolidated results of operations and financial position of TRI Pointe Group and its subsidiaries, including the Developer, as well as potential risks associated with and discussions regarding the projected impact of the COVID-19 pandemic on its operations and finances 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 TRI Pointe Group. The address of such Internet web site is [www.sec.gov](http://www.sec.gov). All documents subsequently filed by TRI Pointe Group 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 TRI Pointe Group's Annual Report and each of its other quarterly and current reports, including any amendments, are available from TRI Pointe Group's website at [www.tripointegroup.com](http://www.tripointegroup.com). The foregoing Internet addresses and references to filings with the SEC are included for reference only, and the information on these Internet sites and on file with the SEC are not a part of this Official Statement and are not incorporated by reference into this Official Statement.

**General.** Of the 118 lots within the District, as of July 30, 2020, the date of value set forth in the Appraisal Report, 95 had been completed and conveyed to individual homeowners, 7 had completed homes and were owned by the Developer and 16 had homes that were actively under construction and were owned by the Developer. As of July 30, 2020, 22 units were under contract to be sold to individual homeowners. Building permits have been pulled for all of the parcels within the District; accordingly, all lots will be classified as Developed Property, and Special Taxes will be levied against such properties, beginning in Fiscal

Year 2020-21, the first year in which all parcels within the District will be classified as Developed Property. As of August 17, 2020, an additional 2 homes had been conveyed to individual homeowners, with 20 under contract to be sold to individual homeowners. Home sales and closings within the District began in 2019. The Developer anticipates that the last units in the District will be transferred to individual homeowners by December 2020. All backbone and intract infrastructure relating to the development within the District is complete.

The Developer's total site improvement, home construction, marketing and other carrying and soft costs for the development within the District are estimated to be approximately \$34,050,000. As of July 30, 2020, the Developer expects its remaining home construction costs and other development, marketing and sales costs within the District to be approximately \$925,000.

Although the Developer expects to have sufficient funds available to complete its planned construction of homes in the District, no assurance can be given that the sources of financing available to the Developer will be sufficient to complete the home construction as currently anticipated. While TRI Pointe Group has made such internal financing available in the past, there can be no assurance whatsoever of its willingness or ability to do so in the future. Neither the Developer nor any affiliate thereof has any legal obligation of any kind to make any such funds available or to obtain loans. If and to the extent that internal financing and home sales revenues are inadequate to pay the costs to complete the Developer's planned home construction within the 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 home construction by the Developer.

## **COVID-19**

***Overview with Respect to TRI Pointe Group.*** The World Health Organization ("WHO") has declared the outbreak of COVID-19 to be a global pandemic and states of emergency have been declared in the United States, State of California and County of Riverside. As a result of the pandemic, the State of California has issued shelter-in-place orders or similar mandates for individuals not engaged in essential activities to remain at home other than for essential needs. Currently, in the County of Riverside, residential homebuilding is considered an essential business activity, which has allowed the Developer to continue operations in the City.

In response to the WHO declaration and governmental shelter-in-place orders, TRI Pointe Group has implemented new operating measures relating to its sales, construction and other operations, including protocols relating to social distancing, enhanced sanitation, monitoring of symptoms related to COVID-19 and other processes. Under these measures, it encouraged employees at its corporate and division offices whose duties could be performed from home to work remotely; its new home galleries and design studios transitioned to virtual appointments or appointment-only with pre-screened individuals in certain jurisdictions, as permitted by law; and it has instituted mandatory social distancing and hygiene/sanitation guidelines in accordance with recommended protocols throughout the organization (including in its new home sales galleries and design studios, and with respect to trade partners and employees on its jobsites). As of the date of this Official Statement, as permitted by applicable government orders or guidelines, TRI Pointe Group has transitioned substantially all of its employees back to its corporate and division offices (in many cases using staggered or flexible schedules to limit the number of individuals in its offices on a given day) and is no longer appointment-only in many of its new home galleries. TRI Pointe Group's field-based team members continue to report to their assigned communities in all jurisdictions where homebuilding has been deemed an essential activity or is otherwise permitted by applicable government authorities. It has also encouraged its employees to use virtual working and communications platforms in lieu of holding in-person meetings whenever possible.

The COVID-19 outbreak and the measures taken by governmental authorities to contain its spread have resulted in substantial adverse effects on the United States economy and could result in a severe and/or prolonged economic recession. The ongoing impact of COVID-19 on the United States economy and TRI Pointe Group's business and operations is unknown, as the velocity of the economic slowdown and the subsequent job losses are unprecedented. While demand for new homes has rebounded substantially over the

last several months, given the dynamic nature of the situation, recent increases in new COVID-19 cases in many states and the re-imposition by local and state governments through the United States of restrictive measures, TRI Pointe Group cannot estimate the duration and severity of the impact of COVID-19 on the homebuilding industry or whether the current demand environment will persist. To the extent TRI Pointe Group (including the Developer) experiences further negative impacts, however, it anticipates that such impacts may include reduced consumer confidence, difficulties in obtaining financing for potential homebuyers, shortages of or increased costs associated with obtaining building materials, increased unemployment levels, declining wage growth and fluctuating interest rates. The uncertainty surrounding the containment of the virus, in the form of testing, vaccination and/or treatments, is a key unknown, and the ultimate strategy adopted to address the pandemic, if any, will substantially impact the form of any resulting economic recovery. Similarly, the extent of the impact of COVID-19 on TRI Pointe Group's liquidity and operational and financial performance will depend on, among other things, existing and future federal, State and local restrictions regarding virus containment, as TRI Pointe Group these factors are highly correlated with consumer strength as it relates to employment and economic well-being.

As of the date of this Official Statement, TRI Pointe Group continues to build and sell homes in all of its markets, and net new orders and traffic in its sales offices have increased significantly as compared to the beginning of the second quarter of 2020. Notwithstanding, the new protocols that TRI Pointe Group implemented in response to the COVID-19 outbreak and the measures taken by governmental authorities to contain its spread continue to affect its business and operations as of the date of this Official Statement, in many regards, including by requiring a substantial investment of time and resources by its management and organization and causing other material disruptions to its normal operations.

***Impact on Development of the District.*** The Developer's completion of development in the District is subject to delays caused by the COVID-19 pandemic. Although, as of August 17, 2020, the Developer had 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. As of August 17, 2020, the Developer had continued to receive funding to complete its home construction and sales activities in the District as described in the Official Statement.

While the Developer's sales offices and model home tours were open by appointment only for several weeks in March 2020, beginning May 9, 2020, the Developer's sales offices and model homes were open to both walk-in visitors and visitors with sales appointments during normal business hours. In each case, visiting groups were limited to one per model home. The Developer has not offered price reductions on any of its units within the District.

For the reasons set forth above and in SPECIAL RISK FACTORS—COVID-19 (Coronavirus) Pandemic), the Developer cannot predict the ultimate effects of the COVID-19 outbreak or whether any such effects will have a material adverse effect on its ability to complete home construction and sales activities in the District as currently planned. As the impacts caused by the outbreak evolve, there could be a material adverse impact on the timing and costs of such activities in the District.

### **SPECIAL RISK FACTORS**

The purchase of the Bonds involves significant risks and is not an appropriate investment for all investors. 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 Bonds. The Bonds have not been rated by a rating agency. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on



the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District. See “—Property Values” and “—Limited Secondary Market.”

### **Concentration of Ownership**

Based on ownership status and development status as of July 30, 2020, approximately 19.30% of the Special Taxes projected to be levied in Fiscal Year 2021-22 will be payable by the Developer. Failure of the Developer, entities affiliated with the Developer or any successor(s), to pay the annual Special Taxes when due could result in a draw on the Reserve Account of the Special Tax Fund, and ultimately a default in payments of the principal of, and interest on, the Bonds, when due. No assurance can be given that the Developer or any successors, will complete the remaining intended construction and development in the District. See “—Failure to Develop Properties.”

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

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

No assurance can be given that any future homeowners within the District 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” below, for a discussion of certain limitations on the City’s ability to pursue judicial proceedings with respect to delinquent parcels.

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

H.R. 1 of the 115th U.S. Congress, known as the “Tax Cuts and Jobs Act,” was enacted into law on December 22, 2017 (the “Tax Act”). The Tax Act makes significant changes to many aspects of the Code. For example, the Tax Act reduces the amount of mortgage interest expense and state and local income tax and property tax expense that individuals may deduct from their gross income for federal income tax purposes, which could increase the cost of home ownership within. However, neither the City nor the District can predict the effect that the Tax Act may have on the cost of home ownership or the price of homes in or the ability or willingness of homeowners to pay Special Taxes or property taxes.

### **Limited Obligations**

The Bonds and interest thereon are not payable from the general funds of the City. Except with respect to the Special Taxes, neither the faith and credit nor the taxing power of the District or the City is pledged for the payment of the Bonds or the interest thereon, and, except as provided in the Indenture, no owner of the Bonds may compel the exercise of any taxing power by the District or the City or force the forfeiture of any City or District property. The principal of, premium, if any, and interest on the Bonds are not a debt of the City or a legal or equitable pledge, charge, lien or encumbrance upon any of the City’s or the District’s property or upon any of the City’s or the District’s income, receipts or revenues, except the Net Taxes and other amounts pledged under the Indenture.

## Insufficiency of Special Taxes

Under the Rate and Method, the annual amount of Special Tax to be levied on each taxable parcel in will generally be based on the land use class to which a parcel of Developed Property is assigned. See APPENDIX A—“RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” and “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—*Rate and Method of Apportionment of Special Tax.*”

In order to pay debt service on the Bonds, it is necessary that the Special Taxes be paid in a timely manner. Should the Special Taxes not be paid on time, the District will establish and fund upon the issuance of the Bonds a Reserve Account of the Special Tax Fund in an amount equal to the Reserve Requirement to pay debt service on the Bonds to the extent other funds are not available. See “SOURCES OF PAYMENT FOR THE BONDS—Reserve Account of the Special Tax Fund.” The District will covenant to maintain in the Reserve Account of the Special Tax Fund an amount equal to the Reserve Requirement subject, however, to the limitation that the District may not levy the Special Tax in the District in any fiscal year at a rate in excess of the maximum amounts permitted under the Rate and Method and the Act. As a result, if a significant number of delinquencies occurs, the District could be unable to replenish the Reserve Account of the Special Tax Fund to the Reserve Requirement due to the limitations on the maximum Special Tax. If such defaults were to continue in successive years, the Reserve Account of the Special Tax Fund could be depleted and a default on the Bonds could occur. See “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—Limitation on Special Tax Levy and Potential Impact on Coverage.”

The District will covenant in the Indenture that, under certain conditions, it will institute foreclosure proceedings to sell any property with delinquent Special Taxes in order to obtain funds to pay debt service on the 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 the delinquent Special Tax to protect its security interest. See “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—*Proceeds of Foreclosure Sales*” for provisions which apply in the event of such foreclosure and which the District is required to follow in the event of delinquencies in the payment of the Special Tax.

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to owners of the Bonds (if the Reserve Account of the Special Tax Fund has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the District of the proceeds of sale. The District may adjust the future Special Tax levied on taxable parcels in the District, subject to the limitation on the maximum Special Tax, to provide an amount required to pay interest on, principal of, and redemption premiums, if any, on the Bonds, and the amount, if any, necessary to replenish the Reserve Account of the Special Tax Fund to an amount equal to the Reserve Requirement and to pay all current expenses. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against taxable parcels in of the District will be at all times sufficient to pay the amounts required to be paid by the Indenture, even if the Special Tax is levied at the maximum Special Tax rates. See “—Bankruptcy and Foreclosure” for a discussion of potential delays in foreclosure actions.

The Rate and Method governing the levy of the Special Tax provides that no Special Tax shall be levied on property that is not located in the District. No Special Tax shall be levied on Exempt Property. See APPENDIX A—“RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” If for any reason property within the District 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 limitations of the maximum authorized rates, the Special Tax will be reallocated to the remaining taxable properties within the District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the ability and willingness of the owners of such property to pay the Special Tax when due.

The Rate and Method governing the levy of the Special Tax provides that, once a parcel is classified as Taxable Property, it will remain subject to a Special Tax levy even if it is subsequently acquired by a public agency. The Act provides that, if any property within the 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. 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 in the courts. Due to problems of collecting taxes from public agencies, if a substantial portion of land within the District was to become owned by public agencies, collection of the Special Tax might become more difficult and could result in collections of the Special Tax which might not be sufficient to pay principal of and interest on the Bonds when due and a default could occur with respect to the payment of such principal and interest.

### **Natural Disasters**

The District, like all California communities, may be subject to unpredictable seismic activity, fires, floods, or other natural disasters. Southern California is a seismically active area. Seismic activity represents a potential risk for damage to buildings, roads, and property within the District. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event. The property within the District is not located in an Alquist Priolo Earthquake Study Zone though it is located less than 10 miles from the San Andreas Fault. The District is not located in a flood plain area.

In recent years, wildfires have caused extensive damage throughout the State. In some instances, entire neighborhoods have been destroyed. Several of the fires that occurred in recent years damaged or destroyed property in areas that were not previously considered to be at risk from such events. Some commentators believe that climate change will lead to even more frequent and more damaging wildfires in the future. Additionally, wildfires increase the risk of mudslides in areas like the District that are surrounded by hillsides. In general, property damage due to wildfire or mudslides could result in a significant decrease in the market value of property in the District and in the ability or willingness of property owners to pay Special Taxes.

Western Riverside County, in which the District is located, has previously experienced large scale wildfires that resulted in the destruction of homes and businesses. According to the City's Municipal Code, which incorporates portions of the County's Ordinance 787 and the California Fire Code by reference, the District is not located in a Very High Fire Hazard Severity Zone. More information regarding Fire Hazard Severity Zones, including the most recent Fire Hazard Severity Zone Maps, can be found at the California Department of Forestry and Fire Protection website at <http://frap.fire.ca.gov/index>, though such website is not incorporated herein by reference. Homeowner's insurance is available to property owners within the District, and the coverage provided by such insurance typically insures against fire damage, although there is no assurance that homeowners within the District will purchase or maintain such insurance.

In the event of a severe earthquake, fire, flood or other natural disaster, there may be significant damage to both property and infrastructure in the District. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due. In addition, the value of land in the District could be diminished in the aftermath of such a natural disaster, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes.

### **Hazardous Substances**

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator

is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the taxed parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming the owner, will become obligated to remedy the condition just as is the seller.

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

The value of the taxable property within the District, as set forth in the various tables in this Official Statement, does not reflect the presence of any hazardous substance or the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the property. The District has not independently verified, but is not aware, that any owner (or operator) of any of the parcels within the District has such a current liability with respect to any such parcel. However, it is possible that such liabilities do currently exist and that the District is not aware of them.

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

An owner of a taxable parcel is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation which is secured only by a lien against the taxable parcel. If the value of a taxable parcel is not sufficient, taking into account other liens imposed by public agencies, to secure fully the Special Tax, the District has no recourse against the property owner.

### **Property Values**

The value of the property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Special Taxes, the District's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Taxes. See "THE COMMUNITY FACILITIES DISTRICT—Value-to-Lien Ratios."

The Appraiser has estimated, on the basis of certain definitions, assumptions and limiting conditions contained in the Appraisal Report that as of July 30, 2020, the value of the Taxable Parcels within the District was \$33,982,000. The Appraisal Report is based on a number of assumptions and limiting conditions as stated in APPENDIX H—"APPRAISAL REPORT." The Appraisal Report does not reflect any possible negative impact which could occur by reason of future slow or no growth voter initiatives, an economic downturn, any potential limitations on development occurring due to time delays, an inability of any landowner to obtain any needed development approval or permit, the presence of hazardous substances or other adverse soil conditions within the District, the listing of endangered species or the determination that habitat for endangered or threatened species exists within the District, or other similar situations.

Prospective purchasers of the Bonds should not assume that the land and improvements within the District could be sold for the amount stated in the Appraisal Report at a foreclosure sale for delinquent Special Taxes. In arriving at the estimate of market value of the appraised parcels in the Appraisal Report, the Appraiser assumes that any sale will be sold in a competitive market after a reasonable exposure time, and

assuming that neither the buyer or seller is under duress, which is not always present in a foreclosure sale. See APPENDIX H—“APPRAISAL REPORT AND SUPPLEMENT” for a description of other assumptions made by the Appraiser and for the definitions and limiting conditions used by the Appraiser. Any event which causes one of the Appraiser’s assumptions to be untrue could result in a reduction of the value of the land within the District from that estimated by the Appraiser.

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

No assurance can be given that any bid will be received for a parcel with delinquent Special Taxes offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. See APPENDIX D—“SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE—COVENANTS AND WARRANTY—Covenants—Commence Foreclosure Proceedings.”

### **Parity Taxes and Special Assessments**

Property within the District is subject to taxes and assessments imposed by other public agencies also having jurisdiction over the land within the District. See “THE COMMUNITY FACILITIES DISTRICT—Direct and Overlapping Indebtedness.”

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

**Neither the District nor the City has control over the ability of other entities and districts to issue indebtedness secured by special taxes, *ad valorem* taxes or assessments payable from all or a portion of the property within the District. In addition, the landowners within the District may, without the consent or knowledge of the District, petition other public agencies to issue public indebtedness secured by special taxes and *ad valorem* taxes or assessments. Any such special taxes or assessments may have a lien on such property on a parity with the Special Taxes and could reduce the estimated value-to-lien ratios for the property within the District described herein. See “SOURCES OF PAYMENT FOR THE BONDS” and “THE COMMUNITY FACILITIES DISTRICT—Direct and Overlapping Indebtedness” and “—Value-to-Lien Ratios.”**

### **Disclosures to Future Purchasers**

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

The Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a special tax under the Act of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

### **Special Tax Delinquencies**

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, will be billed to the properties within the District on the regular *ad valorem* property tax bills sent to owners of such properties by the County of Riverside Tax Collector. The Act currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do *ad valorem* property tax installments.

See APPENDIX D—“SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE—COVENANTS AND WARRANTY—Covenants—Commence Foreclosure Proceedings” for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Indenture, in the event of delinquencies in the payment of Special Taxes. See “—Bankruptcy and Foreclosure” for a discussion of the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes and assessment and limitations on the District’s ability to foreclosure on the lien of the Special Taxes in certain circumstances.

The District does not participate in the County’s Teeter Plan. Accordingly, the collection of Special Taxes is subject to delinquencies.

**COVID-19 (Coronavirus) Pandemic.** In response to the coronavirus pandemic, on May 6, 2020, Governor Newsom issued Executive Order N-61-20 (the “Executive Order”), waiving penalties and interest on taxes on property on the secured or unsecured roll through May 6, 2021 under certain conditions, including: (i) the property is a residential property occupied by the taxpayer or the property is used for a small business, (ii) the taxes owed were not delinquent as of March 4, 2020, (iii) the taxpayer files for relief in a form prescribed by the tax collector, and (iv) the taxpayer demonstrates economic hardship to the satisfaction of the tax collector. The Executive Order may have an effect on the collection of penalties and interest on delinquent Special Taxes and may otherwise affect a property owner’s willingness to pay Special Taxes when due. The District can provide no assurance that additional actions will not be taken by the County, the State, or individual property taxpayers that may have a material adverse impact on the timing of Special Tax collection and the District’s ability to pay scheduled debt service on the Bonds when due. See “—COVID-19 (Coronavirus) Pandemic.”

### **FDIC/Federal Government Interests in Properties**

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

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

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within the District but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

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

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

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

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

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the District in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure

sale. Such an outcome could cause a draw on the Reserve Account and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the Bonds.

### **Bankruptcy and Foreclosure**

Bankruptcy, insolvency and other laws generally affecting creditors' rights could adversely impact the interests of owners of the Bonds in at least two ways. First, the payment of property owners' taxes and the ability of the District to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—*Proceeds of Foreclosure Sales*." In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

Second, the Bankruptcy Code might prevent moneys on deposit in the Acquisition and Construction Fund from being applied to pay interest on the Bonds and/or to redeem Bonds if bankruptcy proceedings were brought by or against a landowner or other party and if the court found that the landowner or other party had an interest in such moneys within the meaning of Section 541(a)(1) of the Bankruptcy Code.

Although a bankruptcy proceeding would not cause the Special Taxes to become extinguished, the amount of any Special Tax lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by the bankruptcy court. In addition, bankruptcy of a property owner could result in a delay in prosecuting Superior Court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of delinquent Special Tax installments and the possibility of delinquent Special Tax installments not being paid in full.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries*. In that case, the court held that *ad valorem* property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed after the filing of the bankruptcy petition were declared to be "administrative expenses" of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all the proceeds of the sale except the amount of the pre-petition taxes.

The Bankruptcy Reform Act of 1994 (the "Bankruptcy Reform Act") included a provision which excepts from the Bankruptcy Code's automatic stay provisions, "the creation of a statutory lien for an *ad valorem* property tax imposed by . . . a political subdivision of a state if such tax comes due after the filing of the petition [by a debtor in bankruptcy court]." This amendment effectively makes the *Glasply* holding inoperative as it relates to *ad valorem* real property taxes. However, it is possible that the original rationale of the *Glasply* ruling could still result in the treatment of post-petition special taxes as "administrative expenses," rather than as tax liens secured by real property, at least during the pendency of bankruptcy proceedings.

According to the court's ruling, as administrative expenses, post-petition taxes would be paid, assuming that the debtor had sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise), it would at that time become subject to current *ad valorem* taxes.

The Act provides that the Special Taxes are secured by a continuing lien which is subject to the same lien priority in the case of delinquency as *ad valorem* taxes. No case law exists with respect to how a bankruptcy court would treat the lien for Special Taxes levied after the filing of a petition in bankruptcy court. *Glasply* is controlling precedent on bankruptcy courts in the State. If the *Glasply* precedent was applied to the



levy of the Special Taxes, the amount of Special Taxes received from parcels whose owners declare bankruptcy could be reduced.

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

### **No Acceleration Provision**

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture or in the event interest on the Bonds becomes included in gross income for federal income tax purposes. Pursuant to the Indenture, an owner is given the right for the equal benefit and protection of all owners of the Bonds similarly situated to pursue certain remedies described in APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE—EVENTS OF DEFAULT; REMEDIES" and "—Limitations on Remedies."

### **Loss of Tax Exemption**

As discussed under the caption "TAX MATTERS" herein, interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the District in violation of its covenants in the Indenture with respect to compliance with certain provisions of the Internal Revenue Code of 1986. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed under the redemption provisions contained in the Indenture.

### **Limited Secondary Market**

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

### **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 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." The provisions of the Initiative as they may relate to community facilities district are subject to interpretation by the courts. The Initiative could potentially impact the Special Taxes available to the District to pay the principal of and interest on the Bonds as described below.

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 Bonds.

It may be possible, however, for voters or the City Council, acting as the legislative body of the District, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the 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 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 District will covenant that it will not initiate proceedings under the Act to reduce the maximum Special Tax rates on parcels within the District. In connection with the foregoing covenant, the City Council has made a legislative finding and determination that any elimination or reduction of Special Taxes below the foregoing level would interfere with the timely retirement of the Bonds. The District will also covenant that, in the event an initiative is adopted which purports to alter the Rate and Method, it will commence and pursue legal action in order to preserve its ability to comply with the foregoing covenant. However, no assurance can be given as to the enforceability of the foregoing covenants.

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

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

The facts of the San Diego Decision show that there were thousands of registered voters within the CCFD (*viz.*, all of the registered voters in San Diego). The elections held in the District had less than 12 registered voters at the time of the election to authorize the Special Tax. In the San Diego Decision, the Court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the Court’s holding

does not apply to the Special Tax election in the District. Moreover, Section 53341 of the Act provides that any “action or proceeding to attack, review, set aside, void or annul the levy of a special tax...shall be commenced within 30 days after the special tax is approved by the voters.” Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds.

The interpretation and application of Article XIII C and Article XIII D 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 “SPECIAL RISK FACTORS—Limitations on Remedies.”

### **No Ratings – Limited Secondary Market**

The District has not applied to have the Bonds rated by any nationally recognized bond rating company, and it does not expect to do so in the future. See “—Limited Secondary Market.”

### **Ballot Initiatives**

Articles XIII A, XIII B, XIII C and XIII D were adopted pursuant to measures qualified for the ballot pursuant to California’s constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. 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 California voters or legislation enacted by the legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the City, or local districts to increase revenues or to increase appropriations within the District.

### **Potential Early Redemption of Bonds from Prepayments or Other Sources**

Property owners within the District, including the Developer, and any individual property owner, are permitted to prepay their Special Taxes at any time. Such Prepayments could also be made from the proceeds of bonds issued by or on behalf of an overlapping special assessment district or community facilities district. Such Prepayments will result in an extraordinary redemption of the Bonds on the Interest Payment Date for which timely notice may be given under the Indenture following the receipt of the Prepayment. The resulting extraordinary redemption of Bonds that were purchased at a price greater than par could reduce the otherwise expected yield on such Bonds. See the caption “THE BONDS—Redemption—Extraordinary Redemption from Special Tax Prepayments.”

### **Cybersecurity**

The City, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the City is subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the City’s digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. To date, the City has not experienced an attack on its computer operating systems which resulted in a breach of its cybersecurity systems that are in place. However, no assurances can be given that the City’s efforts to manage cyber threats and attacks will be successful or that any such attack will not materially impact the operations or finances of the City.

## **COVID-19 (Coronavirus) Pandemic**

The spread of the novel strain of coronavirus called COVID-19 is having significant negative impacts throughout the world, including in the State, County of Riverside and City. The WHO declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the County of Riverside, State and the United States. The purposes behind these declarations are to coordinate and formalize emergency actions across federal, state and local governmental agencies, and to proactively prepare for a wider spread of the virus. There have been confirmed cases of COVID-19 in the City and related deaths, and confirmed cases of COVID-19 and deaths are growing throughout the State. Health officials are expecting the number of confirmed cases and deaths to continue to grow.

In response to the outbreak of COVID-19, the California State Public Health Officer and Director of the California Department of Public Health ordered all individuals living in the State to stay home or at their place of residence (“Stay Home Order”), except as needed to maintain continuity of operation of the critical infrastructure sectors, critical government services, schools, and construction, including housing construction. The impact of COVID-19 and the Stay Home Order is likely to continue to evolve over time, which could adversely impact the completion of the development in the District, including, but not limited to, one or more of the following ways: (i) potential supply chain slowdowns or shutdowns resulting from the unavailability of workers in locations producing construction materials; (ii) slowdowns or shutdowns by local governmental agencies in providing governmental permits, inspections, title and document recordation, and other services and activities associated with real estate development; (iii) delays in construction where one or more members of the workforce becomes infected with COVID-19; (iv) fluctuations in financial markets and contraction in available liquidity; (v) extensive job losses and declines in business activity across important sectors of the economy; (vi) declines in business and consumer confidence that negatively impact economic conditions or cause the current economic recession triggered by COVID-19 to be prolonged; and (vii) the failure of government measures such as fiscal stimulus to counteract the economic impact of the pandemic. The ultimate effects of the COVID-19 outbreak could have a material adverse effect on the ability to complete the remaining development in the District as planned. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

In response to the COVID-19 pandemic, the City initially closed certain non-essential functions of the City, though the building and permitting departments of the City were never closed and continued to issue building permits and perform inspections for lots within the City upon request. The City has since eased its restrictions and the majority of the City’s departments are operating, with employees working remotely. Other public agencies serving the property and residents within District may have taken similar actions in response to the COVID-19 pandemic, though the District and the City can provide no assurance regarding the actions of any other public agencies. Such actions may affect the Developer’s ability to complete its planned development in the time period and within the cost estimates described in the Official Statement. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

Beginning in late March 2020, certain northern California counties temporarily halted most construction, including residential construction which is not affordable housing, to combat the spread of the coronavirus. Such restrictions have since been lifted. The County of Riverside did not impose a similar restriction on construction activity. In the event of an escalation of the COVID-19 outbreak, the County of Riverside could impose similar temporary construction restrictions and such restrictions could have a material adverse effect on the ability to complete the projects within the District on the timeframes and budgets described in this Official Statement under the caption “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak and actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate adverse impact of COVID-19 on the District, and the Developer and its affiliates, and their operations and finances, and the real estate market in general is unknown.

## **Split Roll Initiative**

On October 15, 2018, a proposed ballot initiative became eligible for the November 2020 Statewide ballot (the “Ballot Measure 1851”). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, Ballot Measure 1851 would amend Article XIII A of the State Constitution such that the “full cash value” of commercial and industrial real property that is not zoned for commercial agricultural production, for each lien date, would be equal to the fair market value of that property. If passed, Ballot Measure 1851 would not affect the “full cash value” of residential property or real property used for commercial agricultural production, which would continue to be subject to annual increases not to exceed 2%. After compensating the State General Fund for resulting reductions in State personal income tax and corporate tax revenues, and compensating cities, counties and special districts for the cost of implementing Ballot Measure 1851, approximately 40% of the remaining additional tax revenues generated as a result of Ballot Measure 1851 would be deposited into a fund created pursuant to Ballot Measure 1851 called the Local School and Community College Property Tax Fund, with such funds being used to supplement, and not replace, existing funding school districts and community college districts receive under the State’s constitutional minimum funding requirement.

Proponents of Ballot Measure 1851 subsequently announced a revised version of its ballot initiative (the “Ballot Measure 1870” and, together with Ballot Measure 1851, the “Split Roll Measures”). Ballot Measure 1870 has received sufficient signatures and has qualified for the November 2020 Statewide ballot. Like Ballot Measure 1851, Ballot Measure 1870 would similarly amend the determination of “full cash value” of commercial and industrial real property, however the Split Roll Measures differ in the threshold at which commercial and industrial properties would be taxed at market value, which small business-owned properties would continue to be taxed based on purchase price, and how revenue would be allocated for schools.

The District cannot predict whether Ballot Measure 1851 will qualify for the November 2020 Statewide ballot, or, if it does, whether either Split Roll Measure will be approved by a majority of voters casting a ballot. If approved, the District cannot make any assurance as to what effect the implementation of either Split Roll Measure will have on the assessed valuation of real property in the District. To the extent that either Split Roll Measure passes and results in higher assessed values on the commercial properties in the District and higher *ad valorem* taxes, the increased tax burden could have an adverse effect on the willingness or ability of property owners to pay the Special Taxes when due.

## **Limitations on Remedies**

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

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor’s rights, by equitable principles and by the exercise of judicial discretion and by limitations on remedies against public agencies in the State of California. The Bonds are not subject to acceleration. 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.

## **CONTINUING DISCLOSURE**

Pursuant to a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”), the District will agree to provide, or cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) website, or other repository authorized under Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (the “Rule”), certain annual financial

information and operating data concerning the District. The District Reports are to be filed not later than February 10 of each year, beginning February 10, 2021. The District Reports will include the audited financial statements of the District, if any are prepared. The District does not currently prepare audited financial statements and does not anticipate doing so in the future. The full text of the Continuing Disclosure Certificate is set forth in APPENDIX E—“FORM OF DISTRICT CONTINUING DISCLOSURE CERTIFICATE.”

Notwithstanding any provision of the Indenture, failure of the District to comply with the Continuing Disclosure Certificate shall not be an event of default under the Indenture. However, any Owner or Beneficial Owner of the Bonds may take such action as is necessary and appropriate, including seeking mandate or a judgment for specific performance, to cause the District to comply with its obligations with respect to the Continuing Disclosure Certificate.

In connection with the SEC Order, the BFA conducted a review of noncompliance with all existing continuing disclosure undertakings of the District with respect to bonds issued by the BFA. See the caption “INTRODUCTION—SEC Order.” The BFA identified omissions and deficiencies in prior continuing disclosure filings for Fiscal Years 2003 through 2019. Such omissions and deficiencies included the late filing of annual reports, the late filing of or failure to file the City’s audited and/or unaudited financial statements, the failure to file completed information on the status of facilities being constructed with bond proceeds, the failure to file one or more rating change notices and information concerning the certificates of occupancy and certificates of final inspection. Such omissions and deficiencies also included the failure to report certain information concerning the assessed valuation date, special tax delinquency data and reserve fund balances, cash flow management fund balances, rate stabilization fund balances, improvement fund balances, residual fund balances, special escrow fund balances, the aggregate number of building permits issued, statements of the reserve requirement, cash flow management fund requirement and rate stabilization fund requirement, and to link certain annual reports to all relevant CUSIPs. See Appendix G – “SECURITIES AND EXCHANGE COMMISSION ORDER.”

The BFA has caused the District to make corrective filings for Fiscal Years 2013-14 through 2017-18 with EMMA, including the filing of audited and unaudited financial statements for Fiscal Years 2013-14 through 2017-18, supplements to certain prior continuing disclosure annual reports and notices of the failure to file certain continuing disclosure annual reports and audited financial statements.

The City will assist the District in preparing the District Reports. In order to ensure ongoing compliance by the District with its continuing disclosure undertaking, (i) City staff will take steps to ensure that the filing due date is correctly documented in policies and procedures and a single City staff member has been assigned primary responsibility to monitor compliance; and (ii) the City has contracted with a consultant to assist in filing accurate, complete and timely disclosure reports on behalf of the District.

#### **STATE AND FEDERAL INVESTIGATIONS AND CRIMINAL CHARGES INVOLVING FORMER CITY OFFICIALS**

On April 22, 2015, the Federal Bureau of Investigation and the Riverside County District Attorney’s Office served search warrants on Beaumont City Hall and two other locations. The search warrants and the subsequent investigation resulted in charges for corruption and embezzlement being brought against seven (7) former City officials: former City Manager Alan Kapanicas, former Economic Development Director David Dillon, former City Planner Ernest Egger, former Finance Director William Aylward, former Police Chief Francis Dennis Coe Jr., former Public Works Director Deepak Moorjani and former City Attorney Joseph Sandy Aklufi. All seven (7) of these former City officials have pled guilty to date with several of them having agreed to pay restitution in connection with their plea arrangements. All of the former officials either resigned or were terminated by 2015.

In addition to the SEC Order described under the caption “INTRODUCTION- SEC Order” and attached as Appendix G, in August 2017, the SEC entered into settlements with former City Manager Alan

Kapanicas, the BFA's former underwriter, O'Connor & Company Securities, Inc., and former investment banker Anthony Wetherbee in connection with the BFA's failure to meet its annual continuing disclosure obligations from 2003 to 2013. In consenting to the SEC settlement without admitting or denying the findings, Mr. Kapanicas agreed to be barred from participating in any future municipal offerings and pay a penalty of \$37,500. Additionally, in consenting to the SEC settlement without admitting or denying the findings, O'Connor & Company Securities, Inc., agreed to comply with a number of undertakings and pay a \$150,000 penalty, and Mr. Wetherbee agreed to serve a suspension from the securities industry for six (6) months and pay a \$15,000 penalty.

On May 11, 2017, the Riverside County District Attorney on behalf of the Criminal Grand Jury of the County of Riverside filed an indictment against former Beaumont City Councilmember Mark Orozco accusing him of ten (10) felony counts, including attempting to solicit a bribe from the Developer. On September 28, 2017, Mr. Orozco pleaded guilty to one (1) felony count of bribery and one (1) felony count of perjury. Mr. Orozco resigned from the City Council on October 24, 2017, and agreed not to seek another public office.

### **STATE CONTROLLER INVESTIGATION**

In May 2015, the State Controller began an investigation into the City's internal accounting controls. In November 2015, the State Controller published its report that included a determination that 75 of the 79 internal control elements evaluated were found to be inadequate. In response, the City immediately took action to address the concerns of the State Controller, and the City has revised its internal control practices to align with the State Controller's recommendations. As a result of the issuance of the audit for Fiscal Year 2016-17, the City believes it is now in compliance with all 79 internal control elements.

### **TAX MATTERS**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of a Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District, the City and others and is subject to the condition that the District, the City and others making such representations comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District and the City will covenant to comply with all such requirements.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of other similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District and the City continue to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

Should interest on the Bonds (including any original issue discount) become includable in gross income for federal income tax purposes, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Indenture.



A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix B.

### **LEGAL MATTERS**

The legal opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, approving the validity of the Bonds in substantially the form set forth as Appendix B hereto, will be made available to purchasers at the time of original delivery. Certain legal matters will be passed upon for the District and the City by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel and for the Underwriter by Kutak Rock LLP, Irvine, California, as counsel to the Underwriter. Bond Counsel expresses no opinion to the Owners of the Bonds as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the Bonds and expressly disclaims any duty to do so.

### **ABSENCE OF LITIGATION**

No litigation is pending or threatened concerning the validity of the Bonds and a certificate of the District to that effect will be furnished to the Underwriter at the time of the original delivery of the Bonds. Neither the City nor the District is aware of any litigation pending or threatened which questions the existence of the District or the City or contests the authority of the District to levy and collect the Special Taxes or to issue and retire the Bonds.

### **NO RATING**

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

### **UNDERWRITING**

The Bonds are being purchased by the Underwriter. The Underwriter has agreed to purchase the Bonds at a price of \$\_\_\_\_\_ (being the \$\_\_\_\_\_ aggregate principal amount thereof, [plus] original issue [premium] of \$\_\_\_\_\_ and less Underwriter's discount of \$\_\_\_\_\_). The purchase contract relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the purchase contract, the approval of certain legal matters by counsel and certain other conditions.

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

### **FINANCIAL INTERESTS**

The fees being paid to the Underwriter, Bond Counsel, Disclosure Counsel, Municipal Advisor to the City, the Special Tax Consultant, the Trustee and Underwriter's Counsel are contingent upon the issuance and delivery of the Bonds. The fees being paid to the Appraiser are not contingent upon the issuance and delivery of the Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Bonds.

### **PENDING LEGISLATION**

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

### **ADDITIONAL INFORMATION**

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations and summaries and explanations of the Bonds and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents for full and complete statements and their provisions. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The execution and delivery of this Official Statement by the City Manager of the City has been duly authorized by the City Council acting in its capacity as the legislative body of the District.

CITY OF BEAUMONT COMMUNITY FACILITIES  
DISTRICT NO. 2019-1

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

## **APPENDIX A**

### **RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 2019-1 (SUNDANCE) OF THE CITY OF BEAUMONT**

The following sets forth the Rate and Method of Apportionment for the levy and collection of the Special Tax for Maintenance Services, Special Tax for Public Services and the Special Tax for Facilities in Community Facilities District No. 2019-1 (Sundance) ("CFD No. 2019-1") each Fiscal Year, in an amount determined by the City Council of the City of Beaumont through the application of the Rate and Method of Apportionment described below. All of the real property in CFD No. 2019-1, 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 A 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, parcel map, condominium plan, or other recorded County parcel map or instrument. The square footage of an Assessor's Parcel is equal to the Acreage multiplied by 43,560.

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

**"Administrative Expenses"** means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2019-1: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the City 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. 2019-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2019-1 or any designee thereof of complying with City or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs associated with the release of funds from an escrow account; the costs associated with the issuance of Bonds, 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. 2019-1 for any other administrative purposes, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure, or otherwise addressing the disposition of delinquent Special Taxes.

**"Assessor's Parcel"** means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number within the boundaries of CFD No. 2019-1.

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

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

**"Backup Special Tax for Facilities"** means the Special Tax of that name described in Section E below.

**"Bonds"** means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other

financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, to which Special Taxes for Facilities have been pledged.

**"Boundary Map"** means a recorded map of CFD No. 2019-1 which indicates the boundaries of CFD No. 2019-1.

**"Building Permit"** means a permit for new construction for a residential dwelling or non-residential structure. For purpose of this definition, "Building Permit" shall not include permits for construction or installation, retaining walls, utility improvements, or other such improvements not intended for human habitation.

**"Building Square Footage"** or **"BSF"** means the square footage of assessable internal living space, exclusive of garages or other structures not used as living space, as determined by reference to the building permit application for such Assessor's Parcel, as determined by the CFD Administrator.

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

**"CFD Administrator"** means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement for Facilities, the Special Tax Requirement for Maintenance Services, the Special Tax Requirement for Public Services, and providing for the levy and collection of the Special Taxes.

**"CFD No. 2019-1"** or **"CFD"** means City of Beaumont Community Facilities District No. 2019-1 (Sundance) established by the City under the Act.

**"City"** means the City of Beaumont.

**"City Council"** means the City Council of the City, acting as the legislative body of CFD No. 2019-1, or its designee.

**"Consumer Price Index"** means the index published monthly by the U.S. Department of Labor, Bureau of Labor Statistics for all urban consumers in the Los Angeles-Riverside-Orange County area.

**"County"** means the County of Riverside.

**"Developed Property"** means all Parcels of Taxable Property that are included in a Final Map that was recorded prior to January 1st preceding the Fiscal Year in which the Special Tax is being levied and for which a Building Permit for new construction has been issued on or prior to March 1st preceding the Fiscal Year in which the Special Tax is being levied, as determined by the CFD Administrator.

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

**"Exempt Property"** means all Assessor's Parcels designated as being exempt from Special Taxes as provided for in Section J, as determined by the CFD Administrator.

**"Final Map"** means a subdivision of property evidenced by the 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 the 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.

**"Final Map Property"** means Assessor's Parcels: (i) that are included in a Final Map that was recorded prior to the January 1 preceding the Fiscal Year in which the Special Tax is being levied, and (ii) for which a Building Permit was not issued prior to March 1 preceding the Fiscal Year in which the Special Tax is being levied, as determined by the CFD Administrator.

**"Fiscal Year"** means the period commencing on July 1 of any year 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.

**"Land Use Category"** means any of the categories listed in the tables included in Section D.

**"Lot"** means an individual legal lot created by a Final Map for which a Building Permit could be issued.

**"Maintenance Services"** means the services permitted under the Act including, without limitation, street sweeping, traffic signal maintenance, the maintenance, landscaping and lighting of publicly owned parks, parkways, streets, roads and open spaces, flood and storm protection services, and the operation of storm drainage systems contained within the boundaries of CFD No. 2019-1 and the City.

**"Maximum Special Tax"** means the Maximum Special Tax for Facilities, the Maximum Special Tax for Maintenance Services, and the Maximum Special Tax for Public Services.

**"Maximum Special Tax for Facilities"** means the maximum Special Tax for Facilities, determined in accordance with Section C, which can be levied by CFD No. 2019-1 in any Fiscal Year on any Assessor's Parcel.

**"Maximum Special Tax for Maintenance Services"** means the maximum Special Tax for Maintenance Services, determined in accordance with Section C, which can be levied by CFD No. 2019-1 in any Fiscal Year on any Assessor's Parcel.

**"Maximum Special Tax for Public Services"** means the maximum Special Tax for Public Services, determined in accordance with Section C, which can be levied by CFD No. 2019-1 in any Fiscal Year on any Assessor's Parcel.

**"Minimum Acreage"** means the smallest allowable amount of taxable acreage. For CFD No. 2019-1, it shall not be less than 12.97 acres. The minimum acreage per Zone is as follows: (i) Zone 1 – 7.10 acres and (ii) Zone 2 – 5.87 acres.

**"Non-Residential Property"** means all Assessor's Parcels of Developed Property for which a building permit was issued for any type of non-residential use, as determined by the CFD Administrator.

**"Operating Fund for Maintenance Services"** means a fund that shall be maintained for CFD No. 2019-1 for any Fiscal Year to pay for the actual costs of providing the Maintenance Services and the Administrative Expenses attributable to providing such Maintenance Services.

**"Operating Fund for Public Services"** means a fund that shall be maintained for CFD No. 2019-1 for any Fiscal Year to pay for the actual costs of providing the Public Services and the Administrative Expenses attributable to providing such Public Services.

**"Operating Fund Balance"** means the amount of funds in the applicable Operating Fund at the end of the preceding Fiscal Year.

**"Partial Prepayment Amount"** means the amount required to prepay a portion of the Special Tax for the Facilities obligation for an Assessor's Parcel, as described in Section H.

**"Prepayment Amount"** means the amount required to prepay the Special Tax for the Facilities obligation in full for an Assessor's Parcel, as described in Section G.

**"Property Owner Association"** means a corporation formed by a real estate developer for the purpose of marketing, managing, and selling of homes and lots in a residential subdivision.

**"Property Owner's Association Property"** means all Assessor's Parcels which, as of July 1st of the Fiscal Year in which the Special Tax is being levied, have been conveyed, dedicated to, or irrevocably offered for dedication to a property owner association, including any master or sub-association.

**"Proportionately"** means for Taxable Property that is (i) Developed Property, that the ratio of the actual Special Tax levy to the Assigned Special Tax is the same for all Parcels of Developed Property, (ii) Final Map Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax is the same for all Parcels of Final Map Property, and (iii) Undeveloped Property, Public Property and Property Owners' Association Property, that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is the same for all Parcels of Undeveloped Property, Public Property and Property Owners' Association Property.

**"Public Property"** means all Assessor's Parcels which, as of July 1st of the Fiscal Year in which the Special Tax is being levied, are used for rights-of-way or any other purpose and is owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State of California, the County, or any other local jurisdiction, provided, however, that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use.

**"Public Services"** means the services permitted under the Act including, without limitation, police and fire protection, ambulance and paramedic services provided within the boundaries of CFD No. 2019-1 and the City.

**"Residential Floor Area"** means all the square footage of living area within the perimeter of a residential dwelling unit, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The CFD Administrator shall determine the Residential Floor Area based upon the Building Permit issued for such residential dwelling unit.

**"Residential Property"** means all Assessor's Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units, as determined by the CFD Administrator.

**"Special Tax(es)"** means the Special Tax for Facilities, the Special Tax for Maintenance Services, and the Special Tax for Public Services.

**"Special Tax for Facilities"** means any of the Special Taxes authorized to be levied within CFD No. 2019-1 pursuant to the Act to fund the Special Tax Requirement for Facilities.

**"Special Tax for Maintenance Services"** means any of the Special Taxes authorized to be levied by CFD No. 2019-1 pursuant to the Act to fund the Special Tax Requirement for Maintenance Services. Under no circumstances shall this Special Tax be eligible for prepayment of any kind.

**"Special Tax for Public Services"** means any of the Special Taxes authorized to be levied by CFD No. 2019-1 pursuant to the Act to fund the Special Tax Requirement for Public Services. Under no circumstances shall this Special Tax be eligible for prepayment of any kind.

**"Special Tax Requirement for Facilities"** means the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds due in the Calendar Year that commences in such Fiscal Year, (ii) Administrative Expenses, (iii) the costs associated with the release of funds from an escrow account, (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds, (v) the collection or accumulation of funds for the acquisition or construction of facilities authorized by CFD No. 2019-1 provided that the inclusion of such amount does not cause an increase in the levy of Special Tax for Facilities on Final Map Property or Undeveloped Property, less (vi) any amounts available to pay debt service or other periodic costs on the Bonds pursuant to any applicable bond Indenture, fiscal agent agreement, or trust agreement.

**"Special Tax Requirement for Maintenance Services"** means that amount to be collected in any Fiscal Year to pay for certain costs as required to meet the needs of CFD No. 2019-1 for Maintenance Services in both the current Fiscal Year and the next Fiscal Year. The costs to be covered shall be the (i) direct costs for Maintenance Services (ii) amount necessary to fund an operating reserve for the costs of Maintenance Services as determined by the Administrator, and (iii) Administrative Expenses, less (iv) a credit in an amount equal to the Operating Fund Balance. Under no circumstances shall the Special Tax Requirement for Maintenance Services include funds for bonds.

**"Special Tax Requirement for Public Services"** means the amount to be collected in any Fiscal Year to pay for certain costs as required to meet the needs of CFD No. 2019-1 for Public Services in both the current Fiscal Year and the next Fiscal Year. The costs to be covered shall be the (i) direct costs for Public Services (ii) amount necessary to fund an operating reserve for the costs of Public Services as determined by the Administrator, and (iii) Administrative Expenses, less (iv) a credit in an amount equal to the Operating Fund Balance. Under no circumstances shall the Special Tax Requirement for Public Services include funds for bonds.

**"Taxable Property"** means all Assessor's Parcels within CFD No. 2019-1, which are not Exempt Property, as determined by the CFD Administrator.

**"Trustee"** means the firm that holds and administers assets on behalf of CFD No. 2019-1 under and pursuant to the Indenture.

**"Undeveloped Property"** means all Assessor's Parcels of Taxable Property which are not Developed Property or Final Map Property, as determined by the CFD Administrator.

**"Zone(s)"** means Zone 1 or 2 as geographically identified in Exhibit B attached herein.

**"Zone 1"** means the specific geographic area as depicted in Exhibit B attached herein.

**"Zone 2"** means the specific geographic area as depicted in Exhibit B attached herein.

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

Each Fiscal Year, beginning with Fiscal Year 2019-20, each Assessor's Parcel shall be classified as Taxable Property or Exempt Property. In addition, each Assessor's Parcel of Taxable Property shall be assigned to one of the two Zones based upon its geographic location and further classified as Developed Property, Final Map Property or Undeveloped Property. In addition, each Assessor's Parcel of Developed Property shall further be classified as Residential Property or Non-Residential Property. Lastly, Assessor's Parcels of Residential Property shall be further categorized into Land Use Categories based on the Residential Floor Area for such Assessor's Parcel.

## **SECTION C MAXIMUM SPECIAL TAXES**

### **1. Developed Property**

- a. The Maximum Special Tax for Facilities for each Assessor's Parcel of Residential Property that is classified as Developed Property in any Fiscal Year shall be the amount determined by the greater of (i) the application of the Assigned Special Tax for Facilities in the tables included in Section D below or (ii) the application of the Backup Special Tax for Facilities. The Maximum Special Tax for Facilities for each Assessor's Parcel of Non-Residential Property that is classified as Developed Property in any Fiscal Year shall be the Assigned Special Tax in the tables included in Section D below.

- b. The Maximum Special Tax for Maintenance Services for each Assessor's Parcel of Residential Property that is classified as Developed Property in Fiscal Year 2019-20 shall be \$230 per unit for Assessor's Parcels located in Zone 1 and \$444 per unit for Assessor's Parcels located in Zone 2. The Maximum Special Tax for Maintenance Services for each Assessor's Parcel of Non-Residential Property that is classified as Developed Property in Fiscal Year 2019-20 shall be \$3,118 per Acre for Assessor's Parcels located in Zone 1 and \$2,600 per Acre for Assessor's Parcels located in Zone 2.

On each July 1, commencing July 1, 2020, the Maximum Special Tax for Maintenance Services for the prior Fiscal Year shall be adjusted by the greater of (i) an amount equal to the percentage change increase in the Consumer Price Index for the Calendar Year ending in December of the prior Fiscal Year or (ii) two percent (2%).

- c. The Maximum Special Tax for Public Services for each Assessor's Parcel of Residential Property that is classified as Developed Property in Fiscal Year 2019-20 shall be \$462 per unit.

On each July 1, commencing July 1, 2020, the Maximum Special Tax for Public Services for the prior Fiscal Year shall be adjusted by the greater of (i) an amount equal to the percentage change increase in the Consumer Price Index for the Calendar Year ending in December of the prior Fiscal Year or (ii) five percent (5%).

## **2. Final Map Property**

- a. The Maximum Special Tax for Facilities for each Assessor's Parcel classified as Final Map Property shall be the Assigned Special Tax for the Zone in which the Assessor's Parcel is located as set forth in Section D below.
- b. The Maximum Special Tax for Maintenance Services for each Assessor's Parcel of Residential Property that is classified as Final Map Property in Fiscal Year 2019-20 shall be \$3,118 per Acre for Assessor's Parcels located in Zone 1 and \$2,600 per Acre for Assessor's Parcels located in Zone 2.

On each July 1, commencing July 1, 2020, the Maximum Special Tax for Maintenance Services for the prior Fiscal Year shall be adjusted by the greater of (i) an amount equal to the percentage change increase in the Consumer Price Index for the Calendar Year ending in December of the prior Fiscal Year or (ii) two percent (2%).

- c. Final Map Property shall not be subject to the Maximum Special Tax for Public Services.

## **3. Undeveloped Property**

- a. The Maximum Special Tax for Facilities for each Assessor's Parcel classified as Undeveloped Property shall be the Assigned Special Tax for the Zone in which the Assessor's Parcel is located as set forth in Section D below.
- b. Undeveloped Property shall not be subject to the Maximum Special Tax for Maintenance Services.
- c. Undeveloped Property shall not be subject to the Maximum Special Tax for Public Services.



**SECTION D**  
**ASSIGNED SPECIAL TAX FOR FACILITIES**

**1. Developed Property**

Each Fiscal Year, beginning with Fiscal Year 2019-20, each Assessor's Parcel of Developed Property shall be subject to an Assigned Special Tax. The Assigned Special Tax applicable to an Assessor's Parcel of Developed Property for any Fiscal Year shall be determined pursuant to Table 1 and Table 2 below based upon the Zone in which the Assessor's Parcel is located.

**TABLE 1**  
**ASSIGNED SPECIAL TAX RATES FOR FACILITIES**  
**FOR DEVELOPED PROPERTY WITHIN ZONE 1**

<b>Land Use Category</b>	<b>Building Square Footage</b>	<b>Assigned Special Tax</b>
Residential Property	< 1,800	\$1,270 per Dwelling Unit
Residential Property	1,800 – 2,000	\$1,360 per Dwelling Unit
Residential Property	>2,000	\$1,450 per Dwelling Unit
Non-Residential Property	N/A	\$18,601 per Acre

**TABLE 2**  
**ASSIGNED SPECIAL TAX RATES FOR FACILITIES**  
**FOR DEVELOPED PROPERTY WITHIN ZONE 2**

<b>Land Use Category</b>	<b>Building Square Footage</b>	<b>Assigned Special Tax</b>
Residential Property	< 2,000	\$1,310 per Dwelling Unit
Residential Property	2,000 – 2,249	\$1,375 per Dwelling Unit
Residential Property	2,250 – 2,500	\$1,440 per Dwelling Unit
Residential Property	>2,500	\$1,505 per Dwelling Unit
Non-Residential Property	N/A	\$8,277 per Acre

**2. Final Map Property and Undeveloped Property**

Each Fiscal Year, beginning with Fiscal Year 2019-20, each Assessor's Parcel of Final Map Property and Undeveloped Property shall be subject to an Assigned Special Tax. The Assigned Special Tax applicable to an Assessor's Parcel of Final Map Property and Undeveloped Property for any Fiscal Year shall be determined pursuant to the rate per Acre below for the Zone in which the Assessor's Parcel is located:

1. Zone 1 rate per Acre - \$18,601
2. Zone 2 rate per Acre - \$8,277

**SECTION E**  
**BACKUP ANNUAL SPECIAL TAX FOR FACILITIES**

When a Final Map is recorded, the CFD Administrator shall determine which Zone the Final Map area lies within and the Backup Special Tax for a Parcel classified or to be classified as Residential Property within such Final Map shall be determined by multiplying the Undeveloped Property Maximum Special Tax rate per Acre for the applicable Zone by the total Acreage of Taxable Property within such Final Map, excluding the Acreage associated with Non-Residential Property, Public Property and/or Property Owners' Association Property that is not Exempt Property pursuant to Section J and dividing such amount by the number of Parcels within such Final Map classified as either (i) Developed Property or (ii) Final Map Property for which a Building Permit is expected to be issued for Residential Property (i.e., the number of residential lots).

Notwithstanding the forgoing, if Parcels classified or to be classified as Residential Property are subsequently changed or modified by recordation of a lot line adjustment or similar instrument, then the Backup Special Tax shall be recalculated for the area that has been changed or modified using the methodology described in the preceding paragraph.

The Backup Special Tax shall not apply to Non-Residential Property, Public Property, or Property Owners' Association Property.

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

1. Commencing with Fiscal Year 2019-20 and for each subsequent Fiscal Year, the City Council shall levy Special Taxes for Facilities on all Taxable Property until the amount of Special Tax for Facilities equals the Special Tax Requirement for Facilities in accordance with the following steps:

- Step One: The Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax for Facilities rates in the table included in Section D as needed to satisfy the Special Tax Requirement for Facilities.
- Step Two: If additional moneys are needed to satisfy the Special Tax Requirement for Facilities after the first step has been completed, the Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Final Map Property, at up to 100% of the Assigned Special Tax for Facilities applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement for Facilities.
- Step Three: If additional moneys are needed to satisfy the Special Tax Requirement for Facilities after the first two steps have been completed, the Annual Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property, excluding any Undeveloped Property exempt from the Special Tax pursuant to Section J, at up to 100% of the Assigned Special Tax for Facilities applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement for Facilities.
- Step Four: If additional moneys are needed to satisfy the Special Tax Requirement for Facilities after the first three steps have been completed, then for each Assessor's Parcel of Developed Property whose Maximum Special Tax for Facilities is the Backup Special Tax for Facilities shall be increased Proportionately from the Assigned Special Tax for Facilities up to 100% of the Backup Special Tax for Facilities as needed to satisfy the Special Tax Requirement for Facilities.
- Step Five: If additional moneys are needed to satisfy the Special Tax Requirement for Facilities after the first four steps have been completed, the Special Tax for Facilities shall be levied

Proportionately on each Assessor's Parcel of Property Owner's Association Property and Public Property, found not to be exempt pursuant to Section J, at up to 100% of the Maximum Special Tax for Facilities applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement for Facilities.

2. Commencing with Fiscal Year 2019-20 and for each subsequent Fiscal Year, the City Council shall levy Special Taxes for Maintenance Services on all Taxable Property until the amount of Special Tax for Maintenance Services equals the Special Tax Requirement for Maintenance Services in accordance with the following steps:

Step One: The Special Tax for Maintenance Services shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Special Tax for Maintenance Services as needed to satisfy the Special Tax Requirement for Maintenance Services.

Step Two: If additional moneys are needed to satisfy the Special Tax Requirement for Maintenance Services after the first step has been completed, the Special Tax for Maintenance Services shall be levied Proportionately on each Assessor's Parcel of Final Map Property, at up to 100% of the Maximum Special Tax for Maintenance Services applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement for Maintenance Services.

3. Commencing with Fiscal Year 2019-20 and for each subsequent Fiscal Year, the City Council shall levy Special Taxes for Public Services on all Taxable Property until the amount of the Special Tax for Public Services equals the Special Tax Requirement for Public Services in accordance with the following steps:

Step One: The Special Tax for Public Services shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Special Tax for Public Services as needed to satisfy the Special Tax Requirement for Public Services.

Under no circumstances will the Special Tax for Facilities, the Special Tax for Maintenance Services, or the Special Tax for Public Services levied against any Assessor's Parcel used as a private residence be increased as a consequence of delinquency or default by the owner of any other Assessor's Parcel or Parcels within the CFD by more than ten percent (10%) of the Special Tax that would have been levied in that Fiscal Year, had there never been any such delinquencies or defaults, pursuant to California Government Code Section 53321(d), as in effect on the date of formation of CFD No. 2019-1.

## **SECTION G PREPAYMENT OF SPECIAL TAX FOR FACILITIES**

The following additional definitions apply to this Section G:

**“CFD Public Facilities”** means \$2,000,000, or such lesser amount as determined by the CFD Administrator, expressed in 2018 dollars, which shall increase by the Construction Inflation Index on January 1, 2020, and on each January 1 thereafter, or such lower amount (i) shall be determined by the City as sufficient to provide the public facilities under the authorized bonding program for CFD No. 2019-1, or (ii) determined by the City Council concurrently with a covenant that it will not issue any more Bonds to be supported by Special Taxes levied under this Rate and Method of Apportionment.

**“Construction Fund”** means an account specifically identified in the Indenture or functionally equivalent to hold funds, which are currently available for expenditure to acquire or construct public facilities eligible under CFD No. 2019-1.

**“Construction Inflation Index”** means the annual percentage change in the Engineering News-Record Building Cost Index for the city of Los Angeles, measured as of the Calendar Year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the City that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

**“Future Facilities Costs”** means the CFD Public Facilities minus public facility costs available to be funded through existing construction or escrow accounts that have been funded by the Outstanding Bonds, and minus public facility costs funded by interest earnings on the Construction Fund actually earned prior to the date of prepayment.

**“Outstanding Bonds”** means all previously issued Bonds issued and secured by the levy of Special Taxes for Facilities which will remain outstanding after the first interest and/or principal payment date following the current Fiscal Year, excluding Bonds to be redeemed at a later date with the proceeds of prior prepayments of Special Taxes for Facilities.

The Special Tax for Facilities obligation of an Assessor's Parcel of Developed Property, an Assessor's Parcel of Final Map Property or Undeveloped Property for which a building permit has been issued or an Assessor's Parcel of Undeveloped Property that is classified as Undeveloped Property pursuant to Section J may be prepaid in full, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Special Tax for Facilities obligation would be prepaid. The Prepayment Amount for an Assessor's Parcel eligible for prepayment shall be determined as described below.

An owner of an Assessor's Parcel intending to prepay the Special Tax for Facilities obligation shall provide the City with written notice of intent to prepay, and within 5 days of receipt of such notice, the City shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2019-1 in calculating the proper amount of a prepayment. Within 15 days of receipt of such non-refundable deposit, the City shall notify such owner of the prepayment amount of such Assessor's Parcel.

The Prepayment Amount for each applicable Assessor's Parcel shall be calculated according to the following formula (capitalized terms defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance
plus	Administrative Fee
less	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

As of the date of prepayment, the Prepayment Amount shall be calculated as follows:

2. For Assessor's Parcels of Developed Property, compute the Assigned Special Tax for Facilities and the Backup Special Tax for Facilities applicable to the Assessor's Parcel. For Assessor's Parcels of Final Map Property or Undeveloped Property, excluding any Undeveloped Property pursuant to Section J, compute the Assigned Special Tax for Facilities and the Backup Special Tax for Facilities as though it was already designated as Developed Property based upon the building permit issued or to be issued for that Assessor's Parcel. For an Assessor's Parcel classified as Undeveloped Property pursuant to Section J, compute the Assigned Special Tax for Facilities for that Assessor's Parcel.
3. For each Assessor's Parcel of Developed Property, Final Map Property or Undeveloped

Property to be prepaid, (a) divide the Assigned Special Tax for Facilities computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Assigned Special Tax for Facilities applicable to all Assessor's Parcels of Taxable Property at buildout, as reasonably determined by the CFD Administrator, and (b) divide the Backup Special Tax for Facilities computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Backup Special Tax for Facilities applicable to all Assessor's Parcels of Taxable Property at buildout, as reasonably determined by the CFD Administrator.

4. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the Outstanding Bonds. The product shall be the "Bond Redemption Amount".
5. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
6. Compute the Future Facilities Cost.
6. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the amount determined pursuant to paragraph 5 to determine the Future Facilities Cost to be prepaid (the "Future Facilities Amount").
7. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 11) to be redeemed with the proceeds of the Prepayment Amount until the earliest redemption date for the Outstanding Bonds.
8. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest call date for the Outstanding Bonds.
9. Subtract the amount computed pursuant to paragraph 8 from the amount computed pursuant to paragraph 7. This difference is the "Defeasance."
10. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
11. Calculate the "Reserve Fund Credit" as the lesser of: (a) the expected reduction in the applicable reserve requirements, 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 requirements in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, if the reserve fund requirement is satisfied by a surety bond or other instrument at the time of the prepayment, then no Reserve Fund Credit shall be given. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than 0.
12. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance, and the Administrative Fee, less the Reserve Fund Credit.

With respect to a Special Tax for Facilities obligation that is prepaid pursuant to this Section H, the City Council shall indicate in the records of CFD No. 2019-1 that there has been a prepayment of the Special Tax for Facilities obligation and shall cause a suitable notice to be recorded in compliance with the Act within

thirty (30) days of receipt of such prepayment to indicate the prepayment of the Special Tax for Facilities obligation and the release of the Special Tax for Facilities lien on such Assessor's Parcel and the obligation of such Assessor's Parcel to pay such Special Taxes for Facilities shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Special Tax for Facilities that may be levied on Taxable Property in each future Fiscal Year, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently Outstanding Bonds in each future Fiscal Year.

## **SECTION H PARTIAL PREPAYMENT OF SPECIAL TAX FOR FACILITIES**

The Special Tax for Facilities obligation of an Assessor's Parcel of Developed Property, or an Assessor's Parcel of Final Map Property or Undeveloped Property for which a building permit has been issued and will be classified as Developed Property in the next Fiscal Year, as calculated in this Section H below, may be partially prepaid, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Special Tax for Facilities obligation would be prepaid.

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

$$PP = P_G \times F$$

The terms above have the following meanings:

PP = the Partial Prepayment Amount.

P<sub>G</sub> = the Prepayment Amount calculated according to Section G.

F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Special Tax for Facilities obligation.

With respect to any Assessor's Parcel that is partially prepaid, the City Council shall indicate in the record of CFD No. 2019-1 that there has been a partial prepayment of the Special Tax for Facilities obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such partial prepayment of the Special Tax for Facilities obligation, to indicate the partial prepayment of the Special Tax for Facilities obligation and the partial release of the Special Tax for Facilities lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Special Tax for Facilities shall cease.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Special Tax for Facilities that may be levied on Taxable Property in each future Fiscal Year after such partial prepayment, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently Outstanding Bonds in each future Fiscal Year.

## **SECTION I TERMINATION OF SPECIAL TAX**

For each Fiscal Year that any Bonds are outstanding the Special Tax for Facilities shall be levied on all Assessor's Parcels subject to the Special Tax for Facilities. If any delinquent Special Tax for Facilities remain uncollected prior to or after all Bonds are retired, the Special Tax for Facilities may be levied to the extent necessary to reimburse CFD No. 2019-1 for uncollected Special Taxes for Facilities associated with the levy of such Special Taxes for Facilities, but no later than 2055-56 Fiscal Year. The Special Tax for Maintenance Services and the Special Tax for Public Services shall be levied as long as each is needed to meet the Special Tax Requirement for Maintenance Services and the Special Tax Requirement for Public Services, as determined at the sole discretion of the City Council.

## **SECTION J EXEMPTIONS**

The City shall classify as Exempt Property (i) Assessor's Parcels defined as Public Property, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels used exclusively by a Property Owner's Association, or (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, provided that no such classification would reduce the sum of the Taxable Property to less than the Minimum Acreage per Zone. Notwithstanding the above, the City Council shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of the Taxable Property to less than the Minimum Acreage per Zone. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of the Taxable Property to less than the Minimum Acreage per Zone will continue to be classified as Taxable Property, and will continue to be subject to Special Taxes accordingly.

Tax-exempt status will be assigned by the CFD Administrator in chronological order. If an Assessor's Parcel's classification is changed after the initial status is assigned, then its tax-exempt status will be revoked.

## **SECTION K APPEALS**

Any taxpayer may file a written appeal of the Special Taxes on his/her Assessor's Parcel(s) with the CFD Administrator, provided that the appellant is current in his/her payments of Special Taxes. During pendency of an appeal, all Special Taxes previously levied must be paid on or before the payment date established when the levy was made. The appeal must specify the reasons why the appellant claims the Special Tax is in error. The CFD Administrator shall review the appeal, meet with the appellant if the CFD Administrator deems necessary, and advise the appellant of its determination. If the CFD Administrator agrees with the appellant, 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 for the current Fiscal Year prior to the payment date;
- (ii) require the CFD to reimburse the taxpayer the amount of the overpayment to the extent of the available funds of CFD No. 2019-1; or
- (iii) grant a credit against, eliminate or reduce the future Special Taxes levied on the taxpayer's property within CFD No. 2019-1 in the amount of the overpayment provided that the CFD Administrator can certify there are sufficient Special Taxes to pay for the Special Tax Requirements for Facilities.

## **SECTION L MANNER OF COLLECTION**

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that CFD No. 2019-1 may collect the Special Tax at a different time or in a different manner if necessary to meet its financial obligations.

## **SECTION M INTERPRETATIONS**

The City Council may interpret this Rate and Method of Apportionment of Special Tax by ordinance or resolution for purposes of clarifying any vagueness or ambiguity. Any decision of the City Council shall be final and binding as to all persons.

## APPENDIX B

### FORM OF OPINION OF BOND COUNSEL

Bond Counsel will deliver an opinion for the Bonds substantially in the form set forth below:

\_\_\_\_\_, 2020

City of Beaumont  
Community Facilities District No. 2019-1  
Beaumont, California

*Re:       \$\_\_\_\_\_ City of Beaumont Community Facilities District No. 2019-1  
              2020 Special Tax Bonds*

Ladies and Gentlemen:

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the City of Beaumont (the “City”) taken in connection with the authorization and issuance by the City of Beaumont Community Facilities District No. 2019-1 (the “District”) of its 2020 Special Tax Bonds in the aggregate principal amount of \$\_\_\_\_\_ (the “Bonds”) and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the District, the initial purchasers of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued pursuant to the Mello Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California), a resolution adopted by the City Council of the City, acting in its capacity as the legislative body of the District (the “Board”), on September 1, 2020, and the Bond Indenture dated as of September 1, 2020 (the “Indenture”), by and between the District and Wilmington Trust, National Association, as trustee. All capitalized terms not defined herein shall have the meaning set forth in the Indenture.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

(1) The Bonds have been duly and validly authorized by the District and are legal, valid and binding limited obligations of the District, enforceable in accordance with their terms and the terms of the Indenture. The Bonds are limited obligations of the District but are not a debt of the City, the County of Riverside, the State of California or any other political subdivision thereof within the meaning of any constitutional or statutory limitation, and, except for the Special Taxes, neither the faith and credit nor the taxing power of the City, the County of Riverside, the State of California, or any of its political subdivisions is pledged for the payment thereof.

(2) The execution and delivery of the Indenture has been duly authorized by the District, and the Indenture is valid and binding upon the District and is enforceable in accordance with its terms; provided, however, we express no opinion as to the enforceability of the covenant of the District contained in the Indenture to levy Special Taxes for the payment of Administrative Expenses and we express no opinion as to any provisions with respect to indemnification, penalty, contribution, choice of law, choice of forum or waiver provisions contained therein.



(3) Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

(4) Interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

(5) The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues for the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and is exempt from State of California personal income tax.

(6) The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Bond (generally the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the owner.

The opinion expressed in paragraphs (3) and (5) above as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds is subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements. Except as set forth in paragraphs (3), (4), (5) and (6) above, we express no opinion as to any tax consequences related to the Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations of the District under the Indenture and the Bonds are subject to and may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction and express no opinion as to the enforceability of the choice of law provisions contained in the Indenture.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to matters contained in the Official Statement.

Certain requirements and procedures contained or referred to in the Indenture and Tax Certificate may be changed, and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in the Indenture and Tax Certificate relating to the Bonds, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect on the exclusion from gross income for federal income tax purposes of the interest (and original issue discount) on any Bonds if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

We call attention to the fact that the foregoing opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or do occur (or do not occur). Our engagement as bond counsel to the District terminates upon the issuance of the Bonds.

Respectfully submitted,

## APPENDIX C

### DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF RIVERSIDE AND THE CITY OF BEAUMONT

*The Bonds are not obligations of the City of Beaumont (the “City”) or the County of Riverside (the “County”) and do not represent a lien or charge against any funds or property of the City or the County. The following information is provided only to give prospective investors an overview of the general economic condition of the City, the County and the State of California (the “State”).*

The COVID-19 outbreak is ongoing, and the duration and severity of the outbreak, and the economic and other impacts of actions that may be taken by governmental authorities to contain the outbreak or to treat its impact, are developing and uncertain. The information set forth in this Appendix C predates the outbreak of the COVID-19 pandemic and should not be relied upon as representative of the current demographics within the City, the County and the State.

#### General

The City was incorporated in 1912 under the General Laws of the State. The City is located approximately 78 miles east of Los Angeles and encompasses an area of 30.9 square miles. The City currently has an estimated population of approximately 48,401 persons.

#### Population

The following table offers population figures for the City, the County and the State as of January 1 for the years 2016 through 2020.

<i>Area</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>
City of Beaumont	44,746	45,167	46,545	49,630	51,475
County of Riverside	2,350,992	2,384,660	2,412,536	2,422,146	2,442,304
State of California	39,214,803	39,504,609	39,740,508	39,695,376	39,782,870

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Source: California State Department of Finance, Demographic Research Unit. March 2010 Benchmark.

## Building Activity

The following tables provide summaries of the building permit valuations and the number of new dwelling units authorized in the City and County from 2014 through 2018.

### BUILDING PERMIT VALUATIONS City of Beaumont 2014-2018

	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
Valuation (\$000):					
Residential	\$73,329	\$78,326	\$85,627	\$121,802	\$183,245
Non-residential	<u>5,375</u>	<u>6,911</u>	<u>33,002</u>	<u>10,219</u>	<u>271,487</u>
Total*	<u>\$79,204</u>	<u>\$85,237</u>	<u>\$118,629</u>	<u>\$132,021</u>	<u>\$454,732</u>
Residential Units:					
Single family	435	452	443	715	656
Multiple family	<u>0</u>	<u>0</u>	<u>38</u>	<u>2</u>	<u>112</u>
Total	435	452	481	717	768

\* May not foot due to rounding.

Source: Construction Industry Research Board.

### BUILDING PERMIT VALUATIONS County of Riverside 2014-2018

	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
Valuation (\$000):					
Residential	\$1,621,751	\$1,536,742	\$1,759,535	\$1,903,417	\$2,558,081
Non-residential	<u>814,990</u>	<u>911,465</u>	<u>1,346,019</u>	<u>1,433,691</u>	<u>1,959,680</u>
Total*	<u>\$2,436,741</u>	<u>\$2,448,207</u>	<u>\$3,105,554</u>	<u>\$3,337,108</u>	<u>\$4,517,761</u>
Residential Units:					
Single family	5,007	5,007	5,662	6,265	7,540
Multiple family	<u>1,931</u>	<u>1,189</u>	<u>1,039</u>	<u>1,070</u>	<u>1,628</u>
Total	6,938	6,196	6,701	7,335	9,168

\* May not foot due to rounding.

Source: Construction Industry Research Board.

## Employment

The following table shows the largest employers located in the County as of fiscal year 2019.

### **LARGEST EMPLOYERS County of Riverside 2019**

<i><b>Rank</b></i>	<i><b>Name of Business</b></i>	<i><b>Employees</b></i>	<i><b>Type of Business</b></i>
1.	County of Riverside	21,215	County Government
2.	March Air Reserve Base	9,000	Military Reserve Base
3.	University of California-Riverside	8,735	University
4.	Kaiser Permanente Riverside Medical Center	5,592	Medical Center
5.	Corona-Norco Unified School District	4,989	School District
6.	Pechanga Resort and Casino	4,683	Casino & Resort
7.	Riverside Unified School District	4,335	School District
8.	Hemet Unified School District	4,302	School District
9.	Eisenhower Medical Center	3,743	Medical Center
10.	Moreno Valley Unified School District	3,684	Casino & Resort

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Source: County of Riverside Comprehensive Annual Financial Report for the year ending June 30, 2019.

## Employment and Industry

Employment data by industry is not separately reported on an annual basis for the City but is compiled for the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (the “MSA”), which includes all of Riverside and San Bernardino Counties. In addition to varied manufacturing employment, the MSA has large and growing commercial and service sector employment, as reflected in the table below.

The following table represents the Annual Average Labor Force and Industry Employment for the County for the period from 2015 through 2019.

### RIVERSIDE-SAN BERNARDINO-ONTARIO MSA INDUSTRY EMPLOYMENT & LABOR FORCE - BY ANNUAL AVERAGE

	2015	2016	2017	2018	2019
Civilian Labor Force	1,952,500	1,981,500	2,015,300	2,047,500	2,071,800
Civilian Employment	1,824,100	1,863,600	1,912,500	1,959,400	1,988,600
Civilian Unemployment	128,400	118,000	102,800	88,100	83,200
Civilian Unemployment Rate	6.6%	6.0%	5.1%	4.3%	4.0%
 Total Farm	 14,800	 14,600	 14,500	 14,500	 15,100
Total Nonfarm	1,354,400	1,403,300	1,454,900	1,506,700	1,541,800
Total Private	1,121,100	1,161,000	1,203,900	1,249,500	1,281,300
Goods Producing	183,100	191,600	197,600	207,500	208,300
Mining and Logging	1,300	900	1,000	1,200	1,200
Construction	85,700	92,000	97,400	105,200	105,900
Manufacturing	96,200	98,700	99,200	101,100	101,200
Service Providing	1,171,200	1,211,700	1,257,300	1,299,300	1,333,500
Trade, Transportation and Utilities	333,100	347,900	365,500	379,600	390,700
Wholesale Trade	60,500	61,600	62,600	65,500	66,700
Retail Trade	174,400	178,300	180,900	181,200	181,300
Transportation, Warehousing and Utilities	98,100	108,000	122,100	132,900	142,800
Information	11,700	11,800	11,600	11,400	11,500
Financial Activities	43,700	44,300	43,900	43,800	44,200
Professional and Business Services	147,400	144,900	146,900	151,400	155,500
Educational and Health Services	206,300	215,700	226,700	239,500	250,100
Leisure and Hospitality	151,700	160,200	166,300	170,600	175,200
Other Services	44,000	44,600	45,400	45,800	45,800
Government	<u>233,300</u>	<u>242,300</u>	<u>251,000</u>	<u>257,200</u>	<u>260,500</u>
Total, All Industries	<u>1,369,100</u>	<u>1,417,900</u>	<u>1,469,400</u>	<u>1,521,200</u>	<u>1,556,900</u>

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households and persons involved in labor-management trade disputes. Employment reported by place of work. Items may not add to total due to independent rounding. The “Total, All Industries” data is not directly comparable to the employment data found in this Appendix C.

Source: State of California, Employment Development Department, March 2019 Benchmark.

The following table summarizes the labor force, employment and unemployment figures for the period from 2015 through 2019 for the City, the County, the State and the nation as a whole.

**CITY OF BEAUMONT,  
COUNTY OF RIVERSIDE,  
STATE OF CALIFORNIA AND UNITED STATES  
Average Annual Civilian Labor Force, Employment and Unemployment**

<i>Year and Area</i>	<i>Labor Force</i>	<i>Employment<sup>(1)</sup></i>	<i>Unemployment<sup>(2)</sup></i>	<i>Unemployment Rate (%)<sup>(3)</sup></i>
<b>2015</b>				
Beaumont	19,500	18,700	800	4.0%
Riverside County	1,033,300	964,100	69,200	6.7
State of California	18,896,500	17,724,800	1,171,700	6.2
United States <sup>(4)</sup>	157,130,000	148,834,000	8,296,000	5.3
<b>2016</b>				
Beaumont	20,600	19,600	1,000	4.8%
Riverside County	1,051,400	987,200	64,200	6.1
State of California	19,093,700	18,048,800	1,044,800	5.5
United States <sup>(4)</sup>	159,187,000	151,436,000	7,751,000	4.9
<b>2017</b>				
Beaumont	21,500	20,600	900	4.0%
Riverside County	1,072,200	1,015,800	56,300	5.3
State of California	19,312,000	18,393,100	918,900	4.8
United States <sup>(4)</sup>	160,320,000	153,337,000	6,982,000	4.4
<b>2018</b>				
Beaumont	22,700	21,900	800	3.3%
Riverside County	1,091,400	1,042,700	48,700	4.5
State of California	19,398,200	18,582,800	815,400	4.2
United States <sup>(4)</sup>	162,075,000	155,761,000	6,314,000	3.9
<b>2019</b>				
Beaumont	23,000	22,300	800	3.3%
Riverside County	1,104,000	1,057,900	46,100	4.2
State of California	19,411,600	18,627,400	784,200	4.0
United States <sup>(4)</sup>	163,539,000	157,538,000	6,001,000	3.7

(1) Includes persons involved in labor-management trade disputes.

(2) Includes all persons without jobs who are actively seeking work.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

(4) Not strictly comparable with data for prior years.

Source: California Employment Development Department, March 2019 Benchmark and U.S. Department of Labor, Bureau of Labor Statistics.

## Personal Income

Personal Income is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

The personal income of an area is the income that is received by, or on behalf of, all the individuals who live in the area; therefore, the estimates of personal income are presented by the place of residence of the income recipients.

Total personal income in Riverside County increased by 52% between 2007 and 2018. The following tables summarize personal income for Riverside County for 2007 through 2018.

**PERSONAL INCOME**  
**Riverside County**  
**2007-2018**  
**(Dollars in Thousands)**

<i>Year</i>	<i>Riverside County</i>	<i>Annual Percent Change</i>
2007	\$65,561,491	5.1%
2008	66,718,107	1.8
2009	65,363,159	(2.0)
2010	67,568,045	3.4
2011	71,949,357	6.5
2012	74,075,529	3.0
2013	76,493,787	3.3
2014	80,637,967	5.4
2015	86,092,487	6.8
2016	90,273,976	4.9
2017	95,140,992	5.4
2018	99,591,680	5.7

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

The following table summarizes per capita personal income for Riverside County, California and the United States for 2010-2019. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

**PER CAPITA PERSONAL INCOME**  
**2010 through 2019**  
**Riverside County, State of California and United States**

<u>Year</u>	<u>Riverside County</u>	<u>State of California</u>	<u>United States</u>
2010	\$30,698	\$43,636	\$40,547
2011	32,196	46,175	42,739
2012	32,737	48,813	44,605
2013	33,440	49,303	44,860
2014	34,753	52,363	47,071
2015	36,642	55,808	48,994
2016	37,936	57,801	49,890
2017	38,975	60,219	51,910
2018	40,637	63,711	54,526
2019	<sup>(1)</sup>	66,661	56,663

<sup>(1)</sup> 2019 not available for the County.

Note: Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2010-2018 reflect county population estimates available as of March 2019.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.



## Taxable Sales

The table below presents taxable sales for the years 2015 through 2019 for the City.

**TAXABLE SALES**  
**City of Beaumont**  
**2015-2019<sup>(1)</sup>**  
**(Dollars in Thousands)**

<i>Year</i>	<i>Permits</i>	<i>Taxable Transactions</i>
2015 <sup>(1)</sup>	1,208	394,993
2016	1,264	414,906
2017	1,281	429,066
2018	1,382	455,127
2019	1,441	472,714

<sup>(1)</sup> Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.

Source: "Taxable Sales in California (Sales & Use Tax)" - California State Board of Equalization for 2015-2019; Taxable Sales in California, California Department of Tax and Fee Administration for 2015-2019.

The table below presents taxable sales for the years 2015 through 2019 for the County.

**TAXABLE SALES**  
**County of Riverside**  
**2015-2019<sup>(1)</sup>**  
**(Dollars in Thousands)**

<i>Year</i>	<i>Permits</i>	<i>Taxable Transactions</i>
2015 <sup>(1)</sup>	55,857	33,166,660
2016	57,742	34,483,694
2017	58,969	36,407,460
2018	61,433	38,919,498
2019	64,063	40,557,845

<sup>(1)</sup> Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.

Source: "Taxable Sales in California (Sales & Use Tax)" - California State Board of Equalization for 2015-2019; Taxable Sales in California, California Department of Tax and Fee Administration for 2015-2018

## **APPENDIX D**

### **SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE**

*The following is a summary of certain definitions and provisions of the Indenture which is not described elsewhere in the Official Statement. This Summary does not purport to be comprehensive and reference should be made to the Indenture for a full and complete statement of its provisions.*

## APPENDIX E

### FORM OF DISTRICT CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated \_\_\_\_\_, 2020 (the “Disclosure Certificate”) is executed and delivered by City of Beaumont Community Facilities District No. 2019-1 (the “District”) in connection with the issuance and delivery by the District of its \$\_\_\_\_\_ 2020 Special Tax Bonds (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted on September 1, 2020, by the City Council of the City of Beaumont, acting as the legislative body of the District, and the Bond Indenture dated as of September 1, 2020, by and between the District and Wilmington Trust, National Association, as trustee. The District covenants as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission.

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

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

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

“City” means the City of Beaumont.

“Disclosure Representative” shall mean the City Manager, or his or her designee, or such other officer or employee as the District shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean, initially, WEBB Municipal Finance, LLC, or any successor Dissemination Agent designated in writing by the District and which has filed with the then current Dissemination Agent a written acceptance of such designation.

“District” shall mean City of Beaumont Community Facilities District No. 2019-1.

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

“Official Statement” shall mean that certain Official Statement for the Bonds dated \_\_\_\_\_, 2020.

“Owners” shall mean the registered owners of the Bonds as set forth in the registration books maintained by the Trustee.

“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 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.

“State” shall mean the State of California.

“Trustee” means Wilmington Trust, National Association or such other entity appointed by the District pursuant to the Indenture to act as the trustee under the Indenture.

“Underwriter” shall mean any underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

### Section 3. Provision of Annual Reports.

(a) The District shall, or, if the Dissemination Agent is other than the District, upon written direction shall cause the Dissemination Agent to, not later than February 10 after the end of the District’s Fiscal Year (June 30) commencing with the report due by February 10, 2021, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City, if any exist, 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 District’s fiscal year changes, the District shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

(b) In the event that the Dissemination Agent is an entity other than the District, then the provisions of this Section 3(b) shall apply. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report, the District shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) Business Days prior to the due date for an Annual Report the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District will be filing the Annual Report in compliance with subsection (a). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA by the date required in subsection (a), the Dissemination Agent shall send, in a timely manner, a notice to EMMA, in the form required by EMMA.

(d) If the Dissemination Agent is other than the District, the Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the repository if other than the MSRB through EMMA; and

(ii) promptly after receipt of the Annual Report, file a report with the District certifying that the Annual Report has been provided to EMMA and the date it was provided.

(e) Notwithstanding any other provision of this Disclosure Certificate, all filings shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

Section 4. Content of Annual Reports. The Annual Report shall contain or include by reference the following:

(a) Financial Statements. The audited financial statements of the City for the prior fiscal year, if any have been prepared and which, if prepared, shall be 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; provided, however, that the City may, from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the City shall modify the basis upon which its financial statements are prepared, the District shall provide the information referenced in Section 8 below regarding such modification. If the City is preparing audited financial statements and such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Financial and Operating Data. The Annual Report shall contain or incorporate by reference the following:

(i) the principal amount of the Bonds outstanding as of the September 2 preceding the filing of the Annual Report;

(ii) the balance in each fund under the Indenture and the Reserve Requirement as of the September 30 preceding the filing of the Annual Report;

(iii) any changes to the Rate and Method of Apportionment of the Special Taxes approved or submitted to the qualified electors of the District for approval prior to the filing of the Annual Report;

(iv) an update of the value-to-lien ratio for the District substantially in the form of Table 2 in the Official Statement based upon the most recent Special Tax levy preceding the date of the Annual Report and on the assessed values of property for the current fiscal year;

(v) the status of any foreclosure actions being pursued by the District with respect to delinquent Special Taxes;

(vi) a statement whether the District has been included in the County of Riverside's Teeter Plan;

(vii) a description of the collection and delinquency rate of Special Taxes in the District for the Fiscal Year then ended; and

(viii) any information not already included under (i) through (vii) above that the District is required to file in its annual report pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, with the California Debt and Investment Advisory Commission.

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 District or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB through EMMA. The District shall clearly identify each such other document so included by reference.

Section 5.        Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause the Dissemination Agent to give, notice filed with the Repository of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) business days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
6. tender offers;
7. defeasances;
8. ratings changes;
9. bankruptcy, insolvency, receivership or similar proceedings; and

Note: for the purposes of the event identified in subparagraph (9), 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 obligated person, 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 obligated person.

10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in paragraph 5(a)(5) above, notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

2. the consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
3. appointment of a successor or additional paying agent or the change of the name of a paying agent;
4. nonpayment related defaults;
5. modifications to the rights of Owners of the Bonds;
6. bond calls
7. release, substitution or sale of property securing repayment of the Bonds; and
8. incurrence of a financial obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders.

(c) Upon the occurrence of a Listed Event under Section 5(b) above, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the District shall file a notice of such occurrence with the Repository in a timely manner not more than 10 business days after the event.

(e) The District hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the District and that the Dissemination Agent, if other than the District, shall not be responsible for determining whether the District's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

(f) For purposes of the events identified in subparagraphs (a)(10) and (b)(8) under this Section 5, the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule and a continuing disclosure undertaking has been entered into.

Section 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Section 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be WEBB Municipal Finance, LLC. The Dissemination Agent, if other than the District, shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the District. The Dissemination Agent may resign by providing thirty (30) days written notice to the District and the Trustee.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver is related to the provisions of Sections 3(a), 4, or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking hereunder, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as 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 the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment 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 District. In addition, if the amendment related to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should 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 Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, the Trustee at the written direction of any Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, 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 District to comply with its obligations under this Disclosure Certificate, but only to the extent funds have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges of the Trustee whatsoever, including, without limitation, fees and expenses of its attorney. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. Where an entity other than the District is acting as the Dissemination Agent, the Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and



liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Certificate may be given as follows:

District: City of Beaumont  
Community Facilities District No. 2019-1  
55 East Sixth Street  
Beaumont, CA 92223  
Attn: City Manager

Underwriter: Stifel, Nicolaus & Company, Incorporated  
515 South Figueroa Street, Suite 1800  
Los Angeles, CA 90071  
Attn: Thomas Jacob

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notice or communications should be sent.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Trustee, the Dissemination Agent, the Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

This Disclosure Certificate is executed as of the date and year first set forth above.

CITY OF BEAUMONT COMMUNITY FACILITIES  
DISTRICT NO. 2019-1

By: \_\_\_\_\_  
Disclosure Representative

## APPENDIX F

### BOOK-ENTRY ONLY SYSTEM

*The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC to the District which the District believes to be reliable, but the District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited through the facilities of DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts

such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as prepayments, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the 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 Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the 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.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

THE PAYING AGENT, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

**APPENDIX G**  
**SECURITIES AND EXCHANGE COMMISSION ORDER**

**APPENDIX H**  
**APPRAISAL REPORT**