

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

**NEW ISSUE-FULL BOOK ENTRY**

Rating: S&P: “\_\_” (Insured)

S&P: “\_\_” (Underlying)

See the caption “MISCELLANEOUS—Rating”

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, interest on the 2020 Bonds is not excluded from gross income for federal income tax purposes but is exempt from State of California personal income tax. See the caption “LEGAL MATTERS — Tax Matters” with respect to tax consequences concerning the Bonds.*

**\$17,595,000\***

**BEAUMONT PUBLIC IMPROVEMENT AUTHORITY  
LOCAL AGENCY REFUNDING BONDS  
SERIES 2020A (FEDERALLY TAXABLE)**

**Dated: Date of Delivery**

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

The Bonds described herein are being issued by the Beaumont Public Improvement Authority (the “Authority”) to acquire certain special tax refunding obligations (the “Local Obligations”) of the City of Beaumont Community Facilities District No. 93-1 (the “District”), formed by the City of Beaumont (the “City”). The Local Obligations are being issued to refund two outstanding series of bonds issued by the District, which, in turn, will effect a defeasance of certain outstanding bonds issued by the Beaumont Financing Authority. See “FINANCING PLAN.”

The Bonds are payable solely from “Revenues” pledged by the Authority pursuant to that certain Indenture of Trust, dated as of July 1, 2020 (the “Indenture”), by and between the Authority and Wilmington Trust, National Association, as trustee (the “Trustee”). Revenues consist primarily of debt service on the Local Obligations, which are payable from special taxes levied in the applicable improvement area of the District.

The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Interest on the Bonds is payable semiannually on March 1 and September 1 of each year commencing March 1, 2021. The Bonds will be initially issued only in book-entry form and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository of the Bonds. Principal and interest (and premium, if any) on the Bonds is payable by the Trustee to DTC, which remits such payments to its participants for subsequent distribution to the beneficial owners of the Bonds. See “THE BONDS — General Provisions” and “— Book-Entry Only System” herein.

*The Bonds are subject to redemption prior to maturity as described herein. See “THE BONDS — Redemption.”*

The scheduled payment of principal of and interest when due on the Bonds will be guaranteed under an insurance policy to be issued concurrently with the issuance of the Bonds by \_\_\_\_\_ (the “Insurer”). The Insurer will also issue a debt service reserve insurance policy concurrently with the issuance of the Bonds to be credited to the Reserve Fund for the Bonds. See “BOND INSURANCE” herein.

[Insurer Logo]

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

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*Maturity Schedule  
(see inside cover)*

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The Bonds are offered when, as and if issued and accepted by Stifel, Nicolaus & Company, Incorporated, the Underwriter, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Bond Counsel and Disclosure Counsel. Certain legal matters will be passed upon for the Authority and the City 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 definitive form will be available for delivery to DTC or its agent on or about July \_\_, 2020.

[STIFEL LOGO]

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\* Preliminary, subject to change.

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.

Dated: July \_\_, 2020

**MATURITY SCHEDULE**

\$ \_\_\_\_\_  
**BEAUMONT PUBLIC IMPROVEMENT AUTHORITY  
LOCAL AGENCY REFUNDING BONDS  
SERIES 2020A (FEDERALLY TAXABLE)**

<b>Serial Bonds</b>					
<i>Maturity (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP<sup>†</sup></i>

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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 Authority, the District, the City, 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.

**BEAUMONT PUBLIC IMPROVEMENT AUTHORITY**

**BOARD OF DIRECTORS**

Rey Santos, Chair  
Mike Lara, Vice Chair  
Nancy Carroll, Director  
Julio Martinez, III, Director  
Lloyd White, Director

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**CITY OF BEAUMONT**

**CITY COUNCIL**

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

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**CITY OFFICIALS**

Todd Parton, City Manager  
Kristine Day, Assistant City Manager

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**PROFESSIONAL SERVICES**

**BOND COUNSEL / DISCLOSURE COUNSEL**

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

**AUTHORITY TRUSTEE / DISTRICT TRUSTEE/ESCROW AGENT**

Wilmington Trust, National Association  
Costa Mesa, California

**MUNICIPAL ADVISOR**

Urban Futures, Inc.  
Tustin, California

**SPECIAL TAX CONSULTANT**

Webb Municipal Finance, LLC  
Riverside, California

**VERIFICATION AGENT**

Causey, Demgen & Moore, P.C.  
Denver, Colorado

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

Except where otherwise indicated, all information contained in this Official Statement has been provided by the Beaumont Public Improvement Authority, the City of Beaumont and the City of Beaumont Community Facilities District No. 93-1. No dealer, broker, salesperson or other person has been authorized by the Authority, the City, the District, the Trustee or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein; and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the City, the District, the Trustee or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

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

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

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

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

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Authority does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement. The Authority is obligated to provide continuing disclosure for certain historical information only. See the caption “MISCELLANEOUS — Continuing Disclosure” herein.

\_\_\_\_\_ (the “Insurer”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, the Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Insurer, supplied by the Insurer and presented under the heading “BOND INSURANCE” and Appendix H — “SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

**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.**

[INSERT ALL MAPS]

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## OFFICIAL STATEMENT

\$17,595,000\*

### BEAUMONT PUBLIC IMPROVEMENT AUTHORITY LOCAL AGENCY REFUNDING BONDS SERIES 2020A (FEDERALLY TAXABLE)

#### INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices hereto (the “Official Statement”), is to provide certain information concerning the sale and issuance of \$17,595,000\* Beaumont Public Improvement Authority Local Agency Refunding Bonds, Series 2020A (Federally Taxable) (the “Bonds”).

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

#### Financing Purpose

**Purpose of the Bonds.** The Bonds are being issued by the Beaumont Public Improvement Authority (the “Authority”) to acquire the “Local Obligations” described below (see “FINANCING PLAN” herein).

**Purpose of the Local Obligations.** The net proceeds of the Local Obligations, along with other available funds, will be used as follows (see “FINANCING PLAN” herein):

(i) to make deposits into two separate escrow funds (collectively, the “Escrow Funds”) to be held by Wilmington Trust, National Association, as escrow agent (the “Escrow Agent”) pursuant to two separate Escrow Agreements, each dated as of July 1, 2020 (collectively, the “Escrow Agreements”) for the purpose of redeeming the Prior Improvement Area Bonds (as defined below)); and

(ii) to purchase a municipal bond insurance policy (the “Policy”) issued by \_\_\_\_\_ (the “Insurer”) for the purpose of paying the principal of and interest on the Bonds when due, with the determination of which Bonds to insure to be made at the time of pricing; and

(iii) to purchase a reserve policy issued by the Insurer to be credited to the Reserve Fund for the Bonds (the “Reserve Policy”); and

(iv) to pay the costs of issuing the Bonds.

#### The Bonds; The Local Obligations

**The Bonds.** The Bonds are payable from “Revenues,” as more completely defined below, generally consisting of revenues received by the Authority as the result of the payment of debt service on the Local Obligations, and amounts held in the funds and accounts established and held for the benefit of the Bonds under the Indenture (as defined below).

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\* Preliminary, subject to change.

**Local Obligations.** The “Local Obligations” consist of the following two separate series of bonds issued by the City of Beaumont Community Facilities District No. 93-1 (the “District”), which is located in the City of Beaumont (the “City”):

**Improvement Area No. 8C:** \$5,780,000\* City of Beaumont Community Facilities District No. 93-1 (Improvement Area No. 8C) 2020 Special Tax Refunding Bonds (the “Improvement Area No. 8C 2020 Bonds”) are being issued by the District to refund the outstanding City of Beaumont Community Facilities District No. 93-1 Special Tax Bonds, 2012 Series A (Improvement Area No. 8C) (the “Prior Improvement Area No. 8C Bonds”). The refunding of the Prior Improvement Area No. 8C Bonds will cause a simultaneous refunding of the Beaumont Financing Authority’s 2012 Local Agency Revenue Bonds, Series A (Improvement Area No. 8C) (the “Prior 2012 Authority Bonds”).

The Improvement Area No. 8C 2020 Bonds are payable from Special Taxes levied on taxable property in Improvement Area No. 8C of the District (“Improvement Area No. 8C”). The Improvement Area No. 8C 2020 Bonds are payable from Special Taxes levied on taxable property in Improvement Area No. 8C on a parity with the District’s Special Tax Refunding Bonds, 2017 Series A (Improvement Area No. 8C) outstanding in the principal amount of \$5,575,664 (the “Improvement Area No. 8C 2017 Bonds”) and the Special Tax Bonds, 2018 Series A outstanding in the principal amount of \$16,890,000 (the “Improvement Area No. 8C 2018 Bonds, and together with the Improvement Area No. 8C 2017 Bonds and the Improvement Area No. 8C 2020 Bonds, the “Improvement Area No. 8C Bonds”).

See Appendix A — “INFORMATION REGARDING THE TAXING JURISDICTIONS — Improvement Area No. 8C” herein.

**Improvement Area No. 17B:** \$11,815,000\* City of Beaumont Community Facilities District No. 93-1 (Improvement Area No. 17B) 2020 Special Tax Refunding Bonds (the “Improvement Area No. 17B Bonds”) are being issued by the District to refund the outstanding City of Beaumont Community Facilities District No. 93-1 Special Tax Bonds, 2011 Series A and 2011 Series B (Improvement Area No. 17B) (the “Prior Improvement Area No. 17B Bonds,” and with the Prior Improvement Area No. 8C Bonds, the “Prior Improvement Area Bonds”). The Improvement Area No. 17B Bonds are payable from Special Taxes levied on taxable property in Improvement Area No. 17B of the District (“Improvement Area No. 17B”).

The refunding of the Prior Improvement Area No. 17B Bonds will cause a simultaneous refunding of the Beaumont Financing Authority’s 2011 Local Agency Revenue Bonds, Series A (Improvement Area No. 17B) (the “Prior 2011 Authority Bonds”). See Appendix A — “INFORMATION REGARDING THE TAXING JURISDICTIONS — Improvement Area No. 17B” herein.

Improvement Area No. 8C and Improvement Area No. 17B are collectively referred to in this Official Statement as the “Improvement Areas” or the “Taxing Jurisdictions.”

## **Legal Authority**

**The Bonds.** The Bonds are being issued under Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”) and an Indenture of Trust dated as of July 1, 2020 (the “Indenture”), by and between the Authority and Wilmington Trust, National Association, as trustee (the “Trustee”).

**The Local Obligations.** The Local Obligations are being issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the “Mello-Roos Act”). The Improvement Area No. 8C 2020 Bonds are being issued pursuant to an Indenture of Trust dated as of January 15, 1994, as amended and

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\* Preliminary, subject to change.

supplemented, including as supplemented by a Thirty-Seventh Supplemental Indenture, dated as of July 1, 2020 (together, the “Improvement Area No. 8C Indenture”), by and between the District and Wilmington Trust, National Association, as trustee (the “District Trustee”).

The Improvement Area No. 17B Bonds are being issued pursuant to a Bond Indenture, dated as of July 1, 2020 (the “Improvement Area No. 17B Indenture, and together with the Improvement Area No. 8C Indenture, the “Local Obligation Bond Indentures” and each, a “Local Obligation Bond Indenture”), by and between the District and the District Trustee.

### **Sources of Payment for the Bonds and the Local Obligations**

The Bonds are secured by a first lien on and pledge of all of the Revenues. “Revenues” are defined in the Indenture to include:

- (a) all amounts received from the Local Obligations;
- (b) any proceeds of the Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the Indenture with respect to the Bonds (other than the Surplus Fund); and
- (c) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture with respect to the Bonds (other than investment income on moneys held in the Surplus Fund).

See “SECURITY FOR THE BONDS — Revenues and Flow of Funds” herein.

**Local Obligations.** Each Local Obligation will be payable from Net Special Taxes collected in the applicable Taxing Jurisdiction as a result of the levy of Special Taxes.

***The Local Obligations are not cross-collateralized. In other words, Special Taxes from one Taxing Jurisdiction cannot be used to cover any shortfall in the payment of debt service on the Local Obligation of another Taxing Jurisdiction. However, the Reserve Fund held by the Trustee and funded with the deposit therein of the Reserve Policy will be available in the event of delinquent Revenues. See “SECURITY FOR THE BONDS — Reserve Fund” herein.***

### **Description of the Bonds**

**Payments.** Interest is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2021. Principal of and premium, if any, on the Bonds shall be payable by the Trustee. See “THE BONDS — General Provisions” and “ — Book-Entry Only System” herein.

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

**Redemption.** The Bonds are subject to redemption prior to their maturity. See “THE BONDS — Redemption” herein.

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

## **The City**

The City was incorporated in 1912 under the general laws of the State. The City has a land area of approximately 30 square miles and an estimated population of 48,401 people as of January 1, 2019. The City provides a wide range of services, including police, public works (including sewer and storm drain services), street maintenance and land and building development. The City also operates various community services, including parks, a senior center, a teen and day camp and a municipal swimming pool.

The City is located in Riverside County, California (the “County”), approximately 25 miles east of the city of Riverside at the junction of Interstate 10, State Route 60 and State Route 79.

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

## **The Authority**

The Authority is a joint exercise of powers authority organized and existing pursuant to the Act. Its members are the City and the Beaumont Parking Authority.

## **Professionals Involved in the Offering**

All proceedings in connection with the issuance of the Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel and Disclosure Counsel. Slovak Baron Empey Murphy & Pinkney LLP, Palm Springs, California, will render a legal opinion on certain matters for the Authority. Webb Municipal Finance, LLC is acting as Special Tax Consultant to the District. Wilmington Trust, National Association, Costa Mesa, California, will act as the Authority Trustee, District Trustee and Escrow Agent. Stifel, Nicolaus & Company, Incorporated, is acting as underwriter in connection with the issuance and delivery of the Bonds. Kutak Rock LLP, Irvine, California, is serving as Underwriter’s Counsel. Causey, Demgen & Moore, P.C., will provide escrow verification services.

*Payment of the fees of Bond Counsel, Disclosure Counsel, the Underwriter and counsel to the Underwriter is contingent upon issuance of the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation, represents the Underwriter in connection with financings unrelated to the Authority, the City and the District.*

## **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 I. See also “MISCELLANEOUS — Continuing Disclosure” herein.

## **Continuing Disclosure**

The Authority will enter into a Continuing Disclosure Agreement with Webb Municipal Finance, LLC, and will covenant therein for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Authority and the Taxing Jurisdictions by not later than April 1 following the end of its fiscal year (which currently ends June 30), commencing with the report for the 2019-20 Fiscal Year (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. The first Annual Report will be due April 1, 2021. The Annual Report and notices of certain listed events (the “Listed Events”) will be filed with the Electronic Municipal Market Access System of the

Municipal Securities Rulemaking Board available on the Internet at <http://emma.msrb.org> (“EMMA”). The specific nature of the information to be contained in the Annual Report and any notices of the Listed Events is set forth in Appendix F — “FORM OF CONTINUING DISCLOSURE AGREEMENT.” These covenants will be made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). See “MISCELLANEOUS — Continuing Disclosure” herein.

## FINANCING PLAN

### Purpose of Issue and the Refunding Plan

*Acquisition of the Local Obligations.* The Authority is issuing the Bonds to purchase the Local Obligations.

*Refunding of the Prior Improvement Area Bonds.* Certain proceeds of the Local Obligations together with funds on hand with the Trustee and the City will be deposited into the Escrow Funds pursuant to the Escrow Agreements. Funds deposited into the Escrow Funds pursuant to the Escrow Agreements will be used to pay principal and interest due on the Prior Improvement Area Bonds through the Redemption Date, and to redeem the remaining outstanding principal amount of the Prior Improvement Area Bonds on such date, as follows:

(a) Prior Improvement Area No. 8C Bonds: Proceeds of the Improvement Area No. 8C 2020 Bonds deposited into an Escrow Fund relating to the Prior Improvement Area No. 8C Bonds will be used to defease the outstanding Prior Improvement Area No. 8C Bonds and redeem the Prior Improvement Area No. 8C Bonds maturing on and after September 1, 2023 on September 1, 2022, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest to the redemption date.

(e) Prior Improvement Area No. 17B Bonds: Proceeds of the Improvement Area No. 17B Bonds deposited into an Escrow Fund relating to the Prior Improvement Area No. 17B Bonds will be used to defease the outstanding Prior Improvement Area No. 17B Bonds and redeem the Prior Improvement Area No. 17B Bonds maturing on and after September 1, 2022 on September 1, 2021, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest to the redemption date.

Certain moneys in the existing funds and accounts relating to the Prior Improvement Area Bonds and the Prior Authority Bonds also will be transferred to the Escrow Funds and be applied to the defeasance and redemption of the Prior Improvement Area Bonds. See “— Estimated Sources and Uses of Funds” below. See also “MISCELLANEOUS — Verification of Mathematical Accuracy” below.

The redemption of the Prior Improvement Area Bonds will cause a simultaneous redemption of the Prior Authority Bonds.

**Estimated Sources and Uses of Funds**

*The Bonds.* The anticipated sources and uses of funds relating to the Bonds and the funds relating to the Prior Improvement Area Bonds, the Prior 2011 Authority Bonds and the Prior 2012 Authority Bonds are as follows:

	<i><b>Total</b></i>
<b>Sources:</b>	
Principal Amount of the Bonds	
Underwriter’s Discount	
<b>Total Sources</b>	
<b>Uses:</b>	
Purchase of Local Obligations <sup>(1)(2)</sup>	
<b>Total Uses</b>	

- 
- (1) The Trustee for each of the Local Obligations will transfer to the Escrow Agent funds held in existing funds and accounts relating to the Prior Improvement Area Bonds, together with Bond proceeds received from the Authority from the purchase of the Local Obligations, to the Escrow Funds to defease the Prior Improvement Area Bonds, the Prior 2011 Authority Bonds and the Prior 2012 Authority Bonds. See the sources and uses of funds for the Local Obligations below.
  - (2) Proceeds of the Bonds will be used to acquire the Local Obligations. The District Trustee for each of the Local Obligations will transfer to the Trustee for the Bonds for deposit in the Costs of Issuance Fund each Taxing Jurisdiction’s proportionate share of the costs of issuance of the Bonds.

*Local Obligations.* The anticipated sources and uses of funds relating to the Local Obligations and prior funds on hand are as follows:

	<i><b>Improvement Area No. 8C</b></i>	<i><b>Improvement Area No. 17B</b></i>	
<b>Sources</b>			
Principal Amount			
Prior Funds on Hand			
Underwriter’s Discount			
<b>Total Sources</b>			
<b>Uses</b>			
Escrow Funds <sup>(1)</sup>			
Cost of Issuance Fund <sup>(2)</sup>			
<b>Total Uses</b>			

- 
- (1) See “—Purpose of Issue and the Refunding Plan.”
  - (2) On the date of issuance of the Bonds and the Local Obligations, the District will deposit a portion of the proceeds of the Local Obligations into the Cost of Issuance Fund. Amounts in the Cost of Issuance Fund will be used to pay Trustee fees, Bond Counsel fees, printing costs, the premium for the Policy and the Reserve Policy, and other related costs.

**BOND INSURANCE**

*The information under this caption has been prepared by \_\_\_\_\_ (the “Insurer”) for inclusion in this Official Statement. None of the Authority, the District or the Underwriter has reviewed this information, nor do such entities make any representation with respect to the accuracy or completeness thereof. The following information is not complete and reference is made to Appendix H for a specimen of the Policy.*

[TO COME FROM BOND INSURER]

## THE BONDS

### General Provisions

The Bonds will be dated their date of delivery, and the Bonds will be issued in the aggregate principal amounts set forth on the inside front cover hereof. The Bonds will bear interest from their dated date at the rates per annum set forth on the inside front cover hereof, payable semiannually on each March 1 and September 1, commencing March 1, 2021 (each, an “Interest Payment Date”), and will mature in the amounts and on the dates set forth on the inside front cover hereof. The Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof.

Interest on the Bonds will be payable on each Interest Payment Date to the person whose name appears on the Bond Register as the Owner as of the Record Date immediately preceding each Interest Payment Date. Interest will be paid by check of the Trustee mailed on the Interest Payment Date by first class mail, postage prepaid, to the Owner at the address as it appears on the Bond Register or by wire transfer to an account in the United States of America upon instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds provided to the Trustee, in writing, at least five Business Days before the Record Date for such Interest Payment Date. The Bonds are issued in fully registered form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 and any integral multiple. See the subsection hereof entitled “— Book-Entry Only System.”

Principal of and premium (if any) on any Bond will be paid upon presentation and surrender thereof, at maturity or the prior redemption thereof, at the Trust Office of the Trustee.

Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date (the 15th calendar day of the month preceding the month in which such Interest Payment Date occurs, whether or not such day is a Business Day) and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or (b) it is authenticated on or before February 15, 2021 in which event it will bear interest from the Dated Date; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon, or from the Dated Date if no interest has been paid or made available for payment.

### Redemption

**Optional Redemption.** The Bonds may be redeemed at the option of the Authority, from any source of available funds, prior to maturity on any date on or after September 1, 20\_\_ as a whole, or in part from maturities of the Local Obligations simultaneously redeemed, if any redemption of Local Obligations is being made in conjunction with such optional redemption, and otherwise from such maturities as are selected by the Authority, by lot within a maturity, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date of redemption, without premium.

Prior to consenting to the optional redemption of any Local Obligation which it has purchased, the Authority will deliver to the Trustee a certificate of an Independent Accountant verifying that, following such optional redemption of the Local Obligations and redemption of Bonds, the principal and interest generated from the remaining Local Obligations is adequate to make the timely payment of principal and interest due on the Bonds will remain Outstanding under the Indenture following such optional redemption.

**Special Redemption.** The Bonds are subject to special redemption on any Interest Payment Date from proceeds of early redemption of Local Obligations from the prepayment of Special Taxes within a Taxing



Jurisdiction in connection with Local Obligations, in whole or in part, from maturities corresponding proportionately to the maturities of the Local Obligations simultaneously redeemed, at the principal amount thereof, plus a premium expressed below as a percentage of the principal amount so redeemed, plus accrued interest to the date of redemption thereof:

***Redemption Dates***

***Premium***

***Notice of Redemption.*** The Trustee on behalf, and at the expense, of the Authority will send notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Bond Register, and to the Securities Depositories and to the Information Services, at least thirty (30) but not more than sixty (60) days prior to the date fixed for redemption. Neither failure to receive any such notice so sent nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. The notice will state the date of the notice, the redemption date, the redemption place and the redemption price and will designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and will require that such Bonds be then surrendered at the Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

In the case of an optional or special redemption of Bonds, such notice may state that such redemption is subject to receipt by the Trustee, on or before the date fixed for redemption, of moneys sufficient to pay the redemption price of the Bonds to be redeemed. Unless funds for the optional or special redemption of any Bonds are irrevocably deposited with the Trustee prior to rendering notice of redemption to the Bondowners, such notice shall state that such redemption is subject to the deposit of funds by the Authority. Any notice of optional or special redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture.

***Selection of Bonds of a Maturity for Redemption.*** Unless otherwise provided in the Indenture, whenever provision is made for the redemption of less than all of the Bonds of a maturity, the Trustee will select the Bonds to be redeemed from all Bonds of such maturity not previously called for redemption, by lot in any manner which the Trustee in its sole discretion deems appropriate and fair. For purposes of such selection, all Bonds will be deemed to be comprised of separate \$5,000 authorized denominations, and such separate authorized denominations will be treated as separate Bonds which may be separately redeemed.

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

In the event of a partial optional redemption or special redemption of 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, as determined by the Authority, and the Authority will provide the Trustee with a revised schedule for remaining sinking fund payments.

***Effect of Redemption.*** From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, such Bonds so called will cease to be entitled to any benefit under the Indenture other than

the right to receive payment of the redemption price, and no interest will accrue thereon from and after the redemption date specified in such notice.

### **Payment, Registration, Transfer and Exchange of Bonds**

***Book-Entry Only System.*** The Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined in Appendix B) as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See “THE BONDS — Book-Entry Only System.” In the event that the book-entry-only system is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Indenture. See “THE BONDS — Book-Entry Only System.”

***Transfer of Bonds.*** Subject to the book-entry only provisions of the Indenture, any Bond may in accordance with its terms, be transferred, upon the Bond Register maintained by the Trustee, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Bond is surrendered for transfer, the Authority will execute and the Trustee will authenticate and deliver to the transferee a new Bond or Bonds of like tenor, maturity and aggregate principal amount. No Bonds selected for redemption will be subject to transfer, nor shall any Bond be subject to transfer during the fifteen days prior to the selection of Bonds for redemption.

The cost of printing any Bonds and any services rendered or any expenses incurred by the Trustee in connection with any transfer or exchange will be paid by the Authority. However, the Owners of the Bonds will be required to pay any tax or other governmental charge required to be paid for any exchange or registration of transfer and the Owners of the Bonds will be required to pay the reasonable fees and expenses of the Trustee and Authority in connection with the replacement of any mutilated, lost or stolen Bonds.

***Exchange of Bonds.*** Subject to the book-entry only provisions of the Indenture, Bonds may be exchanged at the Trust Office of the Trustee for Bonds of the same tenor and maturity and of other authorized denominations. No Bonds selected for redemption will be subject to exchange, nor shall any Bond be subject to exchange during the fifteen days prior to the selection of Bonds for redemption.

***Temporary Bonds.*** The Bonds may be issued initially in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Authority and may contain such reference to any of the provisions of the Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority and be registered and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered for cancellation, in exchange therefor at the Trust Office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

***Bond Register.*** The Trustee will keep or cause to be kept at its Trust Office sufficient records for the registration and transfer of the Bonds, which will be the Bond Register and shall at all times during regular business hours be open to inspection by the Authority upon reasonable notice; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said records, Bonds as hereinbefore provided.

**Bonds Mutilated, Lost, Destroyed or Stolen.** If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and authorized denomination in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be cancelled by it and destroyed in accordance with the retention policy of the Trustee then in effect. If any Bond issued under the Indenture shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, at the expense of the Bond Owner, the Authority shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee). The Trustee may require payment of a reasonable fee for each new Bond issued under the Indenture and of the expenses which may be incurred by the Authority and the Trustee. Any Bond issued in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original contractual obligation on the part of the Authority whether or not the Bond alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of the Indenture with all other Bonds secured by the Indenture.

### **Book-Entry Only System**

While the Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to a Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds, as described in Appendix G — “DTC AND THE BOOK-ENTRY-ONLY SYSTEM” herein. So long as Cede & Co. is the registered owner of the Bonds, references herein to the Owners of the Bonds shall mean Cede & Co. and *not* the Beneficial Owners of the Bonds. **The Authority gives no assurance that DTC or the DTC Participants will distribute payments or notices to Beneficial Owners.**

**Estimated Debt Service Schedules: Bonds and Local Obligations**

The Local Obligations acquired with proceeds of the Bonds mature on the same date. The following table presents the debt service schedule for the Bonds, assuming there are no early redemptions of Bonds prior to maturity:

**TABLE 1**

**ANNUALIZED DEBT SERVICE SCHEDULE FOR THE BONDS**

<i>Year Ending September 1</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Debt Service</i>
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The following table summarizes the anticipated debt service payments to be received by the Authority as the result of its ownership of the Local Obligations, assuming there are no early redemptions of Local Obligations prior to their respective maturities.

**TABLE 2**

**ANNUALIZED DEBT SERVICE SCHEDULE FOR THE LOCAL OBLIGATIONS**

<i>Bond Year Ending September 1</i>	<i>Improvement Area No. 8C Debt Service</i>	<i>Improvement Area No. 17B Debt Service</i>	<i>Total Revenues<sup>(1)</sup></i>	<i>Total Debt Service on the Bonds</i>
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Total

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<sup>(1)</sup> Equals the total anticipated debt service on the Local Obligations in each Bond Year ending September 1.  
Source: Underwriter.

## **Debt Service Coverage for the Bonds**

Scheduled payments of principal of and interest on the Bonds equals 100% of the projected Revenues that will be generated by the anticipated payment of debt service on each of the Local Obligations while the Bonds are outstanding. According to the Special Tax Consultant, based on the annual debt service for the Local Obligations, Special Taxes levied in each Taxing Jurisdiction, less estimated Administrative Expenses and assuming no delinquencies, if levied at the Assigned Special Tax rates, would generate in each Fiscal Year not less than 110% of debt service payable with respect to each series of Local Obligations. See Appendix A — “INFORMATION REGARDING THE TAXING JURISDICTIONS.” However, under the Act, under no circumstances will the Special Taxes levied against any Assessor’s Parcel of Residential Property within the applicable Taxing Jurisdiction for which an occupancy permit for private residential use has been issued be increased by more than ten percent (10%) per fiscal year as a consequence of delinquency or default by the owner of any other Assessor’s Parcel within such applicable Taxing Jurisdiction. See “SECURITY FOR THE LOCAL OBLIGATIONS — Special Taxes; Gross Special Taxes; Net Special Taxes — *10% Limitation on Increases in the Special Tax Levy as a Result of Delinquencies.*”

## **SECURITY FOR THE BONDS**

### **General**

As described below, the Bonds are payable primarily from Revenues consisting primarily of amounts received by the Authority as the result of its acquisition of the Local Obligations.

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

### **Revenues and Flow of Funds**

***Bonds; Revenues.*** The Bonds are secured by a first lien on and pledge of all of the Revenues. So long as any of the Bonds are Outstanding, the Revenues will not be used for any purpose except as is expressly permitted by the Indenture.

***Collection by the Trustee.*** The Trustee will collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee is also entitled to and will take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City and the District under the Local Obligations.

***Deposit of Revenues.*** All Revenues derived from the Local Obligations, other than Local Obligation Delinquency Revenues, will be promptly deposited by the Trustee upon receipt thereof in the Revenue Fund. Any Revenues which represent the payment of delinquent principal of or interest on an issue of Local Obligations will immediately be deposited to the Reserve Fund to the extent necessary to replenish, to the extent the Reserve Fund deficiency resulted from the delinquency in the payment of scheduled debt service on such Local Obligations, the amount in the Reserve Fund to the Reserve Requirement, with any amount in excess of that needed to replenish the Reserve Fund to be deposited to the Revenue Fund for transfer as provided in the Indenture.

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

***Interest Account.*** On each Interest Payment Date, the Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Bonds on such date. Moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity). In the event that the amounts on deposit in the Interest Account on any Interest Payment Date, after any transfers from the Reserve Fund, are insufficient for any reason to pay the aggregate amount of interest then coming due and payable on the Outstanding Bonds, the Trustee will apply such amounts to the payment of interest on each of the Outstanding Bonds on a pro rata basis.

***Principal Account.*** On each September 1 on which principal of the Bonds will be payable, the Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of, and premium (if any) on, the Bonds coming due and payable on such date, or required to be redeemed on such date; provided, however, that no amount will be deposited to effect an optional redemption unless the Trustee has first received a certificate of an Independent Accountant certifying that such deposit to effect an optional redemption of the Bonds will not impair the ability of the Authority to make timely payment of the principal of and interest on the Bonds, assuming for such purposes that the City and the District continue to make timely payments on all Local Obligations not then in default. All moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of (i) paying the principal of the Bonds at the maturity thereof or (ii) paying the principal of and premium (if any) on any Bonds upon the redemption thereof.

***Reserve Fund.*** On each Interest Payment Date on which the balance in the Reserve Fund is less than the Reserve Requirement, after making deposits required into the Interest Account and the Principal Account, the Trustee shall transfer from the Revenue Fund an amount sufficient to increase the balance in the Reserve Fund to the Reserve Requirement by depositing the amount necessary to make the various accounts therein equal to, together, the Reserve Requirement, provided the value of the moneys deposited therein, as invested, will be valued at market value on such transfer date for purposes of making such determination.

***Deficiencies.*** If on any Interest Payment Date the amount on deposit in the Revenue Fund is inadequate to make the transfers described above as a result of a payment default on an issue of Local Obligations, the Trustee will immediately notify the District of the amount needed to make the required deposits described above under “— *Application of Revenues.*” In the event that following such notice the Trustee receives additional payments from the District to cure such shortfall, the Trustee shall deposit such amounts to the Revenue Fund for application in accordance with the Indenture.

***Surplus Fund.*** On September 1 of each year, after making the deposits described above, the Trustee will transfer all amounts remaining on deposit in the Revenue Fund to the Administrative Expense Fund unless the Trustee has received a request of the Authority directing it to transfer all or a portion of the said amounts to the Surplus Fund, in which case the Trustee shall make the transfer to the Surplus Fund.

## **Reserve Fund**

An account for each issue of Local Obligations will be established in the Reserve Fund (each, an “Account”). The Reserve Policy in the amount of \$\_\_\_\_\_ shall be deposited into the Reserve Fund in an amount equal to the Reserve Requirement. Each Local Obligation’s share shall initially be as follows:

- \$\_\_\_\_\_ in the Improvement Area No. 8C Account
- \$\_\_\_\_\_ in the Improvement Area No. 17B Account

The aggregate of the foregoing amounts is equal to the Reserve Requirement as of the date of issuance of the Bonds, which is an amount equal to the lowest of (i) 10% of the initial principal amount of the Bonds, (ii) Maximum Annual Debt Service on the Outstanding Bonds, or (iii) 125% of average Annual Debt Service on the Outstanding Bonds. Pursuant to the Indenture, the Reserve Requirement shall never be greater than the initial Reserve Requirement, and, as of any date of calculation, shall not be greater than the Reserve Requirement calculated for the previous Bond Year. In the event that the amount of the Reserve Requirement is changed, the Trustee will, upon receipt of a Request of the Authority, adjust the shares of each Account to reflect the new Reserve Requirement.

Subject to the limitations set forth in the following paragraph, moneys in the Reserve Fund will be used to pay the principal of and interest on the Bonds when the moneys in the Interest Account and the Principal Account of the Revenue Fund are insufficient therefor. In addition, amounts in the Reserve Fund may be applied (i) in connection with an optional redemption of Bonds or a defeasance thereof, (ii) when the balance therein equals the principal and interest due on the Bonds to and including maturity, (iii) credited to a Taxing Jurisdiction as a result of a reduction in the Reserve Requirement resulting from the redemption of the Local Obligations relating to such Taxing Jurisdiction and the Bonds so redeemed in connection therewith, or (iv) when amounts in certain accounts of the Reserve Fund are transferred to the Interest Account and the Principal Account as a credit against the payments due on the Local Obligations on the transfer dates specified below.

If the amounts in the Interest Account or the Principal Account of the Revenue Fund are insufficient to pay the principal of or interest on the Bonds when due, the Trustee shall withdraw from the applicable Reserve Account or Reserve Accounts an amount equal to the deficiency resulting from the delinquency in the payment of scheduled debt service on the applicable series of Local Obligations and transfer such amount to the Interest Account, the Principal Account of the Revenue Fund or both, as applicable. If there are insufficient funds on deposit in a Reserve Account to cover a deficiency resulting from the delinquency in the payment of scheduled debt service on the applicable series of Local Obligations, the Trustee shall withdraw from each of the other Reserve Accounts a share of such insufficiency based upon the proportion of the amount in a Reserve Account to the total amount on deposit in the Reserve Fund and transfer such amounts to the Interest Account, the Principal Account of the Revenue Fund or both, as applicable.

Upon the transfer by the Trustee to the Reserve Fund of delinquent Revenues, such Revenues shall be allocated to the Reserve Accounts as follows:

First, to the Reserve Account for any series of Local Obligations, other than the Reserve Account to which such delinquent Revenues relate, that amount necessary to increase the amount on deposit in such account to the Reserve Requirement on a Proportionate Share basis if the deficiency in the amount on deposit in such account resulted from draws on such account due to delinquencies in the payment of scheduled debt service on that series of Local Obligations from which the Local Obligations Delinquency Revenues were received. In the event that such delinquent Revenues are not sufficient to increase the amount on deposit in each of the applicable Reserve Accounts to the Reserve Requirement, a Proportionate Share of such delinquent Revenues shall be deposited in each such Reserve Account.

Second, after increasing the amount on deposit in each applicable Reserve Account to the applicable Proportionate Share of the Reserve Requirement pursuant to the first step, to the Reserve Account for the series of Local Obligations from which the delinquent Revenues were received that amount necessary to replenish the amount on deposit in such Reserve Account to the applicable Proportionate Share of the Reserve Requirement.



Third, after making all deposits pursuant to the first and second steps, the remaining delinquent Revenues, if any, shall be transferred to the Revenue Fund.

When amounts in an Account of the Reserve Fund are sufficient to repay the remaining principal and interest due on the related Local Obligations that will be applied to the Bonds, such amounts will be transferred to the Interest Account and the Principal Account as a credit against the payments due on such Local Obligations, with the amount transferred from an Account being deposited first to the Interest Account as a credit on the interest due on such Local Obligations on such date and the balance being deposited to the Principal Account as a credit on the principal due on such Local Obligations on such date.

### **Surplus Fund**

Any amounts transferred to the Surplus Fund will no longer be considered Revenues and will not be pledged to repay the Bonds. So long as Local Obligations are outstanding, on September 1 of each year after setting aside any amount specified in a Request of the Authority as necessary to pay Administrative Expenses, all of the remaining balance, if any, in the Surplus Fund will (i) be transferred by the Trustee to the City for credit to the special tax fund of the District, and the District shall be credited a percentage of the total amount available on each September 1 that is equal to the percentage that its outstanding Local Obligations represent of all outstanding Local Obligations held by the Trustee as of the date of disbursement, or (ii) as set forth in a Request of the City be applied to the redemption of Local Obligations pursuant to the terms of the Local Obligations Indenture with the District to be credited a percentage of the total amount available on each September 1 that is equal to the percentage which its outstanding Local Obligations represents of all outstanding Local Obligations held by the Trustee as of the date of disbursement.

In the event that the Local Obligations have been prepaid or defeased in whole or in part, then such credit shall be applied based on a Certificate of an Independent Financial Consultant prepared at the direction of the Authorized Representative of the City. In the event the District is no longer obligated to levy Special Taxes to repay Local Obligations, then any amounts in the Surplus Fund may be used by the Authority for any lawful purpose, including, but not limited to, the payment of expenses of the Authority, the City or the District relating to the Bonds, the Local Obligations, the District, or any other purpose as specified in a Request of the Authority delivered to the Trustee.

### **No Additional Bonds Except to Refund Bonds**

The Authority may issue Additional Bonds secured on a parity with the Bonds (“Additional Bonds”), in such principal amount as shall be determined by the Authority, pursuant to a Supplemental Indenture adopted or entered into by the Authority, but only for the purpose of refunding the Bonds or Additional Bonds.

Additional Bonds may only be issued subject to the following conditions precedent established by the Indenture:

(a) The Authority shall be in compliance with all covenants set forth in the Indenture and all Supplemental Indentures.

(b) The proceeds of such Additional Bonds will be applied to accomplish a refunding of all or a portion of the Bonds or any Additional Bonds Outstanding.

(c) The Supplemental Indenture providing for the issuance of such Additional Bonds must provide that interest thereon will be payable on September 1 and March 1, and principal thereof will be payable on September 1 in any year in which principal is payable.

(d) Prior to the delivery of any Additional Bonds, a written certificate must be provided to the Authority and the Trustee by an Independent Financial Consultant which certifies that the Annual Debt Service

in each Bond Year on the Additional Bonds does not exceed the Annual Debt Service in each Bond Year on the Bonds defeased or redeemed with the proceeds of such Additional Bonds.

(e) The Supplemental Indenture providing for the issuance of Additional Bonds may provide for the establishment of separate funds and accounts.

(f) No Event of Default has occurred and be continuing with respect to the Bonds or any of the Local Obligations.

(g) The Authority will deliver to the Trustee a written Certificate of the Authority certifying that the conditions precedent to the issuance of such Additional Bonds set forth in subsections (a), (b), (c), (d) and (f) above have been satisfied and that, upon the issuance of such Additional Bonds an amount equal to the Reserve Requirement, as adjusted (if necessary) to reflect the issuance of such Additional Bonds will be on deposit in the Reserve Fund.

## SECURITY FOR THE LOCAL OBLIGATIONS

### General

Each Local Obligation is a limited obligation of the District payable solely from Net Special Taxes (defined below) collected in the applicable Taxing Jurisdiction and amounts deposited by the District in the applicable Special Tax Fund. The District's limited obligation to pay the principal of, premium, if any, and interest on the applicable Local Obligations from Net Special Taxes collected in the applicable Taxing Jurisdiction and amounts in the applicable Special Tax Fund is absolute and unconditional.

No Local Obligation (and no Parity Bonds issued under the Local Obligation Bond Indenture relating to the Local Obligations, each a "Local Obligation Parity Bond") is a legal or equitable pledge, charge, lien or encumbrance upon any of the District's property, or upon any of its income, receipts or revenues, except the Net Special Taxes collected in the applicable Taxing Jurisdiction and other amounts in the applicable Special Tax Fund.

The "Special Taxes" for each Taxing Jurisdiction are levied and collected according to the rate and method of apportionment (each, a "Rate and Method") established for such Taxing Jurisdiction. See Appendix A — "INFORMATION REGARDING THE TAXING JURISDICTIONS" and Appendix D — "RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE TAXING JURISDICTIONS."

**The Local Obligations are not cross-collateralized. In other words, Special Taxes collected in one Taxing Jurisdiction cannot be used to cover any shortfall in the payment of debt service on the Local Obligations of another Taxing Jurisdiction. However, the Reserve Fund held by the Trustee and funded at the Reserve Requirement will be available in the event of delinquent Revenues. See "SECURITY FOR THE BONDS — Reserve Fund" herein.**

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

The Special Tax is collected in the manner and at the same time as *ad valorem* property taxes are collected and is subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for *ad valorem* property taxes; provided, however, that the District may directly bill

the Special Tax, and may collect Special Taxes at a different time or in a different manner as determined by the City Council.

However, under the Act as in effect at the time of formation of the Improvement Areas and under the applicable Rate and Methods, under no circumstances will the Special Taxes levied against any Assessor's Parcel of Residential Property within the applicable Improvement Area for which an occupancy permit for private residential use has been issued be increased by more than ten percent (10%) per fiscal year as a consequence of delinquency or default by the owner of any other Assessor's Parcel within such applicable Improvement Area. Therefore, even though the maximum Special Tax rates may allow for Special Tax increases greater than 10%, in the event of high delinquencies in an Improvement Area, the District could not increase the Special Taxes in such applicable Improvement Area in the fiscal year following such delinquencies by more than 10% on the residential units. See "SPECIAL RISK FACTORS — Special Tax Delinquencies."

### **Improvement Area No. 8C Indenture**

Under the Improvement Area No. 8C Indenture, "Net Taxes" (and referred to herein as the "Net Special Taxes") pledged by the District to the Improvement Area No. 8C Bonds is defined in the Improvement Area No. 8C Indenture as the "Gross Taxes" (referred to herein as the "Gross Special Taxes") minus a certain amount of Administrative Expenses (the "Priority Administrative Expenses"). Priority Administrative Expenses are equal to \$30,000.

"Gross Special Taxes" is defined in the Improvement Area No. 8C Indenture as the amount of Special Taxes for Improvement Area No. 8C and proceeds from the sale of property collected pursuant to the foreclosure provisions of the Improvement Area No. 8C Indenture for the delinquency of such Special Taxes and proceeds from any security for payment of Special Taxes for Improvement Area No. 8C taken in lieu of foreclosure.

At such time as the County Auditor-Controller of the County makes an apportionment of tax revenues, including Special Taxes of Improvement Area No. 8C and other amounts constituting Gross Special Taxes, if any, and such apportionment is transferred to the District Trustee on behalf of the District for Improvement Area No. 8C (any such apportionment being hereinafter referred to as an "Apportionment"), the Trustee shall deposit such Apportionment and any other amounts constituting Gross Taxes in the Special Tax Fund for Improvement Area No. 8C, to be held in trust by the District Trustee and transferred and deposited into the following respective accounts and Funds the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Special Taxes for Improvement Area No. 8C sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

- (1) The Administrative Expenses Fund;
- (2) The Interest Account of the Bond Fund;
- (3) The Principal Account of the Bond Fund;
- (4) The Sinking Account of the Bond Fund;
- (5) The applicable Reserve Account of the Bond Fund and to any other reserve fund or account established in connection with or allocated to the Improvement Area No. 8C Bonds (including the Reserve Fund established under the Indenture;
- (6) The Rebate Fund; and

- (7) The Residual Fund.

### **Improvement Area No. 17B Indenture**

Under the Improvement Area No. 17B Indenture, the “Net Special Taxes” pledged by the District to the Improvement Area No. 17B Bonds (and any related Local Obligation Parity Bonds) is defined in the Improvement Area No. 17B Indenture as “Gross Special Taxes” minus amounts set aside to pay Priority Administrative Expenses.

“Gross Special Taxes” is defined in the Improvement Area No. 17B Indenture as the amount of all Special Taxes received by the District for Improvement Area No. 17B, together with the net amounts collected from the redemption of delinquent Special Taxes, including the penalties and interest thereon and from the sale of property sold as a result of the foreclosure of the lien of the Special Taxes resulting from the delinquency in the payment of such Special Taxes due and payable on such property.

“Priority Administrative Expenses” are annual Administrative Expenses of the District payable from Gross Special Taxes from Improvement Area No. 17B, which expenses total up to \$30,000 for Improvement Area No. 17B in each Fiscal Year.

The District may, in its sole discretion, fund additional Administrative Expenses for Improvement Area No. 17B, without limitation, from Special Taxes collected within Improvement Area No. 17B not otherwise required to be transferred to the District Trustee and from moneys held in the Administrative Expense Fund held under the Improvement Area No. 17B Indenture.

The District covenants in the Improvement Area No. 17B Indenture that it will receive all Net Special Taxes in trust for the Owners of the Improvement Area No. 17B Bonds, and will instruct the Treasurer to deposit Net Special Taxes for Improvement Area No. 17B with the District Trustee as required by the Improvement Area No. 17B Indenture, and the District shall have no beneficial right or interest in the amounts so deposited except as provided by the Improvement Area No. 17B Indenture.

Except for the portion of any prepayment of Special Taxes to be deposited into the Redemption Account established under the Improvement Area No. 17B Indenture, the District Trustee under the Improvement Area No. 17B Indenture will, on each date on which the Special Taxes of Improvement Area No. 17B are received from the District, deposit the Special Taxes in the Special Tax Fund to be held in trust for the Authority as the owner of the Improvement Area No. 17B Bonds. The District Trustee will transfer such Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the Improvement Area No. 17B Indenture, in the following order of priority, to:

- (1) The Administrative Expense Fund;
- (2) The Interest Account of the Special Tax Fund;
- (3) The Principal Account of the Special Tax Fund;
- (4) The Authority for deposit in the Reserve Account as necessary to increase the amount therein to the District’s Proportionate Share of the Reserve Requirement and to such reserve accounts for Local Obligation Parity Bonds to replenish the amounts therein to the applicable reserve requirements;
- (5) The Redemption Account of the Special Tax Fund; and
- (6) The District Surplus Fund.

The Improvement Area No. 17B Indenture creates and establishes to be maintained by the District Trustee a Surplus Fund. As soon as practicable after each September 1, and in any event prior to each October 1, the District Trustee will transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, unless on or prior to such date, it has received a Certificate of an Authorized Representative directing that certain amounts be retained in the Special Tax Fund because the District has included such amounts as being available in the Special Tax Fund in calculating the amount of the levy of Special Taxes for such Fiscal Year. The amounts in the Surplus Fund are not pledged to the repayment of the Local Obligations or any Parity Local Obligations and may be used by the District for any lawful purpose.

### **Local Obligation Parity Bonds**

Each Local Obligation Bond Indenture authorizes the District to issue additional bonds secured by Net Special Taxes on a parity with the related Local Obligations but only for the purpose of refunding all or a portion of the applicable Local Obligations or Local Obligation Parity Bond. Local Obligations shall only be refunded if a corresponding amount of Bonds is refunded. For a description of the conditions established in each Local Obligation Bond Indenture for the issuance of Local Obligation Parity Bonds, see Appendix B — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

### **Priority of Lien**

Each installment of the Special Taxes and any interest and penalties thereon, constitutes a lien on the parcel of land on which it was imposed until the same is paid. Such lien is co-equal to and independent of the lien for general taxes, any other community facilities district special taxes. See “THE TAXING JURISDICTIONS — The Taxing Jurisdictions in the Aggregate” herein.

### **Covenants of the District**

In each Local Obligation Bond Indenture, the District covenants as follows, among other things:

***Punctual Payment.*** It will duly and punctually pay or cause to be paid the principal of and interest on each related Local Obligation (and any related Local Obligation Parity Bond) issued under its Local Obligation Bond Indenture, together with the premium, if any to the extent that Net Special Taxes and other amounts pledged under the Local Obligation Bond Indenture are available therefor.

***Against Encumbrance.*** It will not mortgage or otherwise encumber, pledge or place any charge upon any of the Net Special Taxes except as provided in the related Local Obligation Bond Indenture, and will not issue any obligation or security having a lien or charge upon the Net Special Taxes superior to or on a parity with the related Local Obligations (other than related Local Obligation Parity Bonds). Nothing in the Local Obligation Bond Indenture prevents the District from issuing or incurring indebtedness which is payable from a pledge of Net Special Taxes which is subordinate in all respects to the pledge of Net Special Taxes to repay the related Local Obligations and the related Local Obligation Parity Bonds.

### ***Levy of Special Tax.***

**Improvement Area No. 8C Indenture.** The City Council, on behalf of the District, shall, levy the Special Tax in Improvement Area No. 8C in an amount sufficient to pay the principal or Accreted Value of and interest on the Improvement Area No. 8C Bonds and any related Local Obligation Parity Bonds as provided in the proceedings and the Administrative Expenses relating to Improvement Area No. 8C due or coming due, plus the amount, if any, necessary to replenish the Reserve Account to an amount equal to the Reserve Requirement for Improvement Area No. 8C, if any, so long as any Improvement Area No. 8C Bonds and any related Local Obligation Parity Bonds are Outstanding; provided, that the amount of the Special Tax shall not exceed the maximum amounts specified in the Rate and Method for Improvement Area No. 8C Bonds.

Improvement Area No. 17B Indenture. So long as any Improvement Area No. 17B Bonds or related Local Obligation Parity Bonds are Outstanding, the legislative body of the District will levy the related Special Tax in Improvement Area No. 17B (taking into consideration reasonably anticipated delinquencies) in an amount sufficient, together with other amounts on deposit in the Special Tax Fund and available for such purpose, to pay the principal of and interest on such Improvement Area No. 17B Bonds and any such related Local Obligation Parity Bonds when due, the applicable Administrative Expenses and any amounts required to replenish such District's allocable share of the Reserve Requirement for Improvement Area No. 17B resulting from the delinquency in the payment of scheduled debt service on the Improvement Area No. 17B Bonds or related Local Obligation Parity Bonds. The District further covenants that it will take no actions that would discontinue or cause the discontinuance of the Special Tax levy for Improvement Area No. 17B or the District's authority to levy the Special Tax for so long as the Improvement Area No. 17B Bonds and any related Local Obligation Parity Bonds are outstanding.

***Commence Foreclosure Proceedings.***

Improvement Area No. 8C Indenture. The District covenants with and for the benefit of the Owners of the Improvement Area No. 8C Bonds and the landowners of Improvement Area No. 8C securing the Improvement Area No. 8C 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 Improvement Area No. 8C, if the District determines that any single property owner subject to the Special Tax within Improvement Area No. 8C is delinquent in the payment of Special Taxes in the aggregate of \$2,500 or more or that as to any single parcel the delinquent Special Taxes represent more than 5% of the aggregate Special Taxes within Improvement Area No. 8C, 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.

Improvement Area No. 17B Indenture. The District covenants for the benefit of the Owners of the Improvement Area No. 17B Bonds that it (i) will commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$2,500 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due, (ii) will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each fiscal year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied and the amount on deposit in the Reserve Account is at less than the Reserve Requirement, and (iii) will diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid.

The District may, but is not obligated to, advance funds from any source of legally available funds in order to maintain any Reserve Account of the Reserve Fund. The District may treat any delinquent Special Tax sold to an independent third-party or to any funds of the City for at least 100% of the delinquent amount as having been paid. Proceeds of any such sale up to 100% of the delinquent amount will be deposited in the applicable Special Tax Fund. See "SPECIAL RISK FACTORS — Special Tax Delinquencies" herein for a discussion of the City's current foreclosure proceedings.

The District covenants that it will deposit the net proceeds of any foreclosure and any other Delinquency Proceeds in the applicable Special Tax Fund and will apply such proceeds remaining after the payment of Administrative Expenses to pay any delinquent installments of principal and interest on the Improvement Area No. 17B Bonds and any related Local Obligation Parity Bonds and to make current payments of principal and interest on the Improvement Area No. 17B Bonds and any related Local Obligation Parity Bonds, and to replenish any draw on the Reserve Account for Improvement Area No. 17B resulting from the delinquency in the payment of scheduled debt service on the Improvement Area No. 17B Bonds and any related Local Obligation Parity Bonds.

***Reduction of Maximum Special Taxes.*** The District shall find and determine under each Local Obligation Bond Indenture that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in Southern California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the District shall determine under each Local Obligation Bond Indenture that a reduction in the maximum Special Tax rates authorized to be levied on parcels in the applicable Improvement Area below the levels provided under the Local Obligation Bond Indenture would interfere with the timely retirement of the Local Obligations and Parity Local Obligations. The District shall determine it to be necessary in order to preserve the security for the Local Obligations and Parity Local Obligations to covenant, and, to the maximum extent that the law permits it to do so, the District does covenant, that it shall not initiate proceedings to reduce the maximum Special Tax rates in each Improvement Area, unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the applicable Improvement Area as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing taxable property in each Bond Year for any Local Obligations and Parity Local Obligations Outstanding will equal at least the sum of the Priority Administrative Expenses for such Bond Year plus 110% of the gross debt service in such 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 Local Obligations and Parity Local Obligations, and (iii) the District is not delinquent in the payment of the principal of or interest on the Local Obligations or any Parity Local Obligations.

### **Special Taxes Are Not Within Teeter Plan**

The Special Taxes are not encompassed within the alternate procedure for the distribution of certain property tax levies on the secured roll pursuant to Chapter 3, Part 8, Division 1 of the California Revenue and Taxation Code (Section 4701 et seq.), commonly referred to as the “Teeter Plan.” The County of Riverside (the “County”) has adopted a Teeter Plan under which a tax distribution procedure is implemented and secured roll taxes are distributed to taxing agencies within the County on the basis of the tax levy, rather than on the basis of actual tax collections. However, by policy, the County does not include special taxes, assessments or assessments in its Teeter Plan. The Special Taxes of the District are not included in the County’s Teeter Plan.

## **THE DISTRICT**

The District was formed by the City on August 11, 1993, and its improvement areas are located throughout the City.

## **THE IMPROVEMENT AREAS**

### **The Taxing Jurisdictions in the Aggregate**

***Introduction.*** Set forth under this caption is certain information describing the Taxing Jurisdictions in the aggregate and separate sections on each of them. Although the Authority believes the information with respect to the Taxing Jurisdictions, in the aggregate, is relevant to an informed decision to purchase the Bonds, investors should be aware that the debt service on one Local Obligation may not be used to make up any shortfall in the debt service on another Local Obligation. Moreover, the parcels in each Taxing Jurisdiction are taxed according to the applicable Rate and Method, and the applicable Special Taxes may only be applied to pay the debt service on the Local Obligations related to the Taxing Jurisdiction in which such Special Taxes are levied and not on the debt service of any other Local Obligations.

Potential investors should further be aware that Special Taxes are levied against individual parcels within each Taxing Jurisdiction and that any such parcel may have a value-to-lien ratio less than the overall

value-to-lien ratio for such Taxing Jurisdiction and less than the value-to-lien ratio of the Taxing Jurisdictions in the aggregate.

**Property Values & Development Status.** The most recent aggregate assessed value reported by the County Assessor for the property in the Taxing Jurisdictions for the Fiscal Year 2018-19 was \$346,011,252. Each of the Taxing Jurisdictions is built-out, with a total of 1,079 single family residences. The Special Tax obligation has been prepaid for three parcels within Improvement Area No. 8C and two parcels within Improvement Area No. 17B. As a result, there are a total of 1,074 parcels within the Taxing Jurisdictions in the aggregate which are subject to their respective Special Tax levies.

**Value-To-Lien Ratios.** The aggregate assessed value of all of the taxable property in the Taxing Jurisdictions, as established by the County Assessor for Fiscal Year 2019-20, was \$346,011,252. The aggregate principal amount of the Local Obligations is \$17,595,000\*. The following tables set forth the aggregate assessed value-to-lien ratios of all the taxable property in the Taxing Jurisdictions based on Fiscal Year 2019-20 assessed values in each of the Taxing Jurisdictions and the principal amount of the Local Obligations. Table 3 presents such information by Taxing Jurisdiction.

As shown in Table 4 below, 52 parcels have value-to-lien ratios below 6.00:1. These parcels are located in Improvement Area No. 8C. One of such parcels has reduced assessed value due to Proposition 60/90, which allows property owners aged 55 and older to transfer the base year value of a sold home to a replacement home of equal or lesser value within the same county (Proposition 60), or to another county in California (Proposition 90). This parcel is owned by an individual and has a 1975 base year value. Another of such parcels transferred its base year value due to eminent domain. The remaining 50 parcels were purchased by the current owners at much earlier dates than other properties in Improvement Area No. 8C and as a result of the limitation of assessed valuation growth allowed under Article XIII A of the State Constitution, have lower assessed values.

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\* Preliminary, subject to change.



**TABLE 3**

**BEAUMONT PUBLIC IMPROVEMENT AUTHORITY  
TAXING JURISDICTIONS IN AGGREGATE  
ASSESSED VALUE-TO-LIEN RATIOS  
FISCAL YEAR 2019-20**

<i>Community Facilities District No. 93-1 Improvement Area</i>	<i>Parcels</i>	<i>Projected Fiscal Year 2020-21 Special Tax Levy</i>	<i>Fiscal Year 2020-21 Assigned Special Tax</i>	<i>Fiscal Year 2019-20 Assessed Value</i>	<i>Percent of Fiscal Year 2019-20 Assessed Value</i>	<i>IA 8C Parity Bonds</i>	<i>IA 8C 2020 Bonds</i>	<i>Total Allocation of Outstanding Debt<sup>(1)*</sup></i>	<i>Percent of Bonds</i>	<i>Aggregate Value-to-Lien Ratio*</i>
Improvement Area 8C	686	\$1,512,792	\$1,774,073	\$221,672,729	63.5%	\$22,465,664	\$5,780,000	\$28,245,664	70.5%	7.85:1
Improvement Area 17B	<u>388</u>	<u>661,367</u>	<u>1,000,929</u>	<u>124,338,523</u>	36.5	<u>--</u>	<u>--</u>	<u>11,815,000</u>	29.5	<u>10.52:1</u>
<b>Total</b>	<b>1,074</b>	<b>\$2,174,159</b>	<b>\$ 2,775,002</b>	<b>\$346,011,252</b>	<b>100.0%</b>	<b>\$22,465,664</b>	<b>\$5,780,000</b>	<b>\$40,060,664</b>	<b>100.0%</b>	<b>8.64:1</b>

\* Preliminary, subject to change.

<sup>(1)</sup> Outstanding debt for Improvement Area No. 8C includes the Improvement Area No. 8C 2017 Bonds, the Improvement Area No. 8C 2018 Bonds and the Improvement Area No. 8C 2020 Bonds.  
The outstanding debt for Improvement Area No. 17B includes the Improvement Area No. 17B Bonds.

Source: Webb Municipal Finance, LLC.

**TABLE 4**

**BEAUMONT PUBLIC IMPROVEMENT AUTHORITY  
VALUE-TO-LIEN STRATIFICATION BASED ON  
ASSESSED VALUE OF THE TAXING JURISDICTIONS IN THE AGGREGATE  
FISCAL YEAR 2019-20\***

<i>Assessed 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>(2)</sup></i>	<i>Percent of Projected Fiscal Year 2020-21 Levy</i>	<i>Fiscal Year 2020-21 Assigned Special Tax</i>	<i>Percent of Assigned Special Tax</i>	<i>Fiscal Year 2019-20 Assessed Value</i>	<i>Percent of Fiscal Year 2019-20 Assessed Value</i>	<i>Allocation of Bonds<sup>(2)</sup></i>	<i>Aggregate Value-to-Lien</i>
Less than 6.00:1 <sup>(3)</sup>	53	4.93%	\$ 109,862	5.05%	\$ 127,219	4.63%	\$ 10,228,548	2.96 %	\$ 2,049,997	4.99:1
6.00:1 to 7.99:1	314	29.24	711,522	32.72	829,432	30.22	97,469,653	28.17	13,264,549	7.35:1
8.00:1 to 9.99:1	437	40.69	889,589	40.92	1,097,140	39.97	144,870,783	41.87	16,449,623	8.81:1
10.00:1 to 11.99:1	216	20.11	370,627	17.05	551,772	20.10	72,725,954	21.02	6,641,530	10.95:1
Greater than 11.99:1 <sup>(4)</sup>	<u>54</u>	<u>5.03</u>	<u>92,559</u>	<u>4.26</u>	<u>139,439</u>	<u>5.08</u>	<u>20,716,314</u>	<u>5.99</u>	<u>1,654,965</u>	<u>12.52:1</u>
<b>Total</b>	<b>1,074</b>	<b>100.00%</b>	<b>\$ 2,174,159</b>	<b>100.00%</b>	<b>\$ 2,745,001</b>	<b>100.00%</b>	<b>\$ 346,011,252</b>	<b>100.00%</b>	<b>\$40,060,664</b>	<b>8.64:1</b>

\* Preliminary, subject to change.

<sup>(1)</sup> Assessed Value-to-Lien based upon the principal amount of the Local Obligations.

<sup>(2)</sup> Outstanding debt for Improvement Area No. 8C includes all of the Improvement Area No. 8C 2020 Bonds. The outstanding debt for Improvement Area No. 17B includes the Improvement Area No. 17B Bonds.

<sup>(3)</sup> Minimum estimated Value-to-Lien is 0.63:1. See "INFORMATION REGARDING THE TAXING JURISDICTIONS—Improvement Area No. 8C—Value-to-Lien" in Appendix A hereto.

<sup>(4)</sup> Maximum estimated Value-to-Lien is 14.62:1.

Source: Webb Municipal Finance, LLC.

The projected average effective tax rate for the parcels within the Taxing Jurisdictions ranges from approximately 1.99% to 2.14%.

**Top Taxpayers within the Taxing Jurisdictions.** No single individual owner owns more than three parcels within any one Taxing Jurisdiction, and no single taxpayer is projected to be responsible for more than 0.76% of Fiscal Year 2019-20 Special Taxes within any one Taxing Jurisdiction. See Appendix A — “INFORMATION REGARDING THE TAXING JURISDICTIONS.”

**Delinquencies.** Special Taxes were levied against 1,074 parcels in the Taxing Jurisdictions in Fiscal Year 2019-20. As of May 31, 2020, fifteen of the property owners were delinquent in the payment of the Fiscal Year 2019-20 Special Tax levy. For the Special Tax levies, collections and delinquency rates for the last five fiscal years in each of the Taxing Jurisdictions see Appendix A — “INFORMATION REGARDING THE TAXING JURISDICTIONS.”

### The Local Obligations

The table below summarizes the final maturity dates of the Local Obligations and the principal amount of each Local Obligation. For a description of the total debt service on the Bonds provided by each Local Obligation, see Table 2 under the heading “THE BONDS – Estimated Debt Service Schedules: Bonds and Local Obligations” herein.

**TABLE 5**

**Beaumont Public Improvement Authority  
Summary of the Local Obligations**

<i>District</i>	<i>Maturity Date (September 1)</i>	<i>Principal Amount*</i>
Improvement Area No. 8C	2042	\$ 5,780,000
Improvement Area No. 17B	2042	<u>11,815,000</u>
Total		<b>\$ 17,595,000</b>

\* Preliminary, subject to change.

### SPECIAL RISK FACTORS

The purchase of the Bonds involves significant risks and is not a suitable 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. 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 Taxing Jurisdictions to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the Taxing Jurisdictions to make full and punctual payments of debt service on the Local Obligations which comprise the Revenues available to pay 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 Taxing Jurisdictions. See “—Property Values” and “—Limited Secondary Market.”

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

Because the timely payment of debt service on the Bonds will be dependent upon the timely payment of the Local Obligations and the timely payment of the Local Obligations will be dependent upon the timely payment of Special Taxes, which are secured ultimately by the Taxable Property within the Taxing Jurisdictions, the Bond Owners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in and around the vicinity of the Taxing Jurisdictions, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; (iii) natural disasters (including, without limitation, earthquakes, wildfires, floods, drought and windstorms), which may result in uninsured losses; and (iv) adverse changes in local market conditions.

## **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 and the City. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the County, 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 County, and confirmed cases of COVID-19 are growing throughout the State and health officials are expecting the number of confirmed cases to continue to grow.

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 applicable county tax collector, and (iv) the taxpayer demonstrates economic hardship to the satisfaction of the county tax collector. The Executive Order may have an effect on the collection of penalties and interest on delinquent amounts of the Special Tax and may otherwise affect a property owner’s willingness to pay the Special Tax when due.

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 City, the Taxing Jurisdictions and homeowners’ willingness and ability to pay Special Tax when due, and the real estate market in general is unknown.

## **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 the District. 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 the District or the ability or willingness of homeowners to pay Special Taxes or property taxes.

## **The Bonds are Limited Obligations of the Authority**

The Bonds are limited obligations of the Authority payable only from amounts pledged under the Indenture, which consist primarily of payments made to the Trustee on the Local Obligations and amounts in the Reserve Fund. Funds for the payment of the principal of and the interest on the Local Obligations are derived only from payments of Special Taxes. The amount of Special Taxes that are collected could be insufficient to pay principal of and interest on the Local Obligations due to non-payment of the Special Taxes levied or due to insufficient proceeds received from a judicial foreclosure sale of land within the Taxing Jurisdictions following delinquency. The District's legal obligation with respect to any delinquent Special Taxes is limited to the institution of judicial foreclosure proceedings under certain circumstances with respect to any parcels for which Special Taxes is delinquent. The Bonds cannot be accelerated in the event of any default.

Failure by owners of the parcels within the Taxing Jurisdictions to pay Special Tax installments when due, delay in foreclosure proceedings, or the inability of the District to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent installments of Special Taxes levied against such parcels may result in the inability of the District to make full or timely payments of debt service on the Local Obligations, which may, in turn, result in the depletion of the Reserve Fund and the inability of the Authority to make full or timely payment on the Bonds.

## **No Obligation of the City**

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

## **No Cross-Collateralization Between Taxing Jurisdictions**

The Local Obligations are not cross-collateralized. In other words, the Special Taxes from one Taxing Jurisdiction cannot be used directly to cover any shortfall in the payment of debt service on the Local Obligations of another Taxing Jurisdiction. However, all amounts in the Reserve Fund are available to pay debt service on the Bonds if the amounts in the Interest Account or the Principal Account of the Revenue Fund are insufficient to pay the principal of or interest on the Bonds when due. See the caption "SECURITY FOR THE BONDS — Reserve Fund."

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

Property owners within the Taxing Jurisdictions are permitted to prepay their Special Taxes at any time. Such prepayments will result in a redemption of Local Obligations on the first March 1 or September 1 which is more than 30 days following the receipt of the prepayment. The proceeds of the Local Obligations so redeemed will then be used to make a mandatory redemption of the Bonds. The Bonds will be called on a pro rata basis from the proceeds of the Local Obligations redeemed from prepayments. Such mandatory redemption of Bonds that were purchased at a price greater than par could reduce the otherwise expected yield on such Bonds. See "THE BONDS — Redemption — *Special Redemption*."

## **Property Values**

The value of property within the Taxing Jurisdictions is an important factor in evaluating the investment quality of the Bonds. In the event that a property owner defaults in the payment of Special Tax installment, a District's only remedy is to judicially foreclose on that property. Prospective purchasers of the Bonds should not assume that the property within the Taxing Jurisdictions could be sold for the assessed values or minimum market values described herein at a foreclosure sale for delinquent Special Tax installments or for an amount adequate to pay delinquent Special Tax installments.

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, increased or decreased annually by an amount determined by the Riverside County Assessor based on current market conditions, generally not to exceed an increase of more than 2% per fiscal year from the date of purchase (except in the case of new construction subsequent to such acquisition). No assurance can be given that a parcel could actually be sold for its assessed value.

The actual market value of the property is subject to future events such as downturn in the economy, occurrences of certain acts of nature and the decisions of various governmental agencies as to land use, all of which could adversely impact the value of the land in the Taxing Jurisdictions which is the security for the Local Obligations, which secure the Bonds. As discussed herein, many factors could adversely affect property values or prevent or delay further land development within the Taxing Jurisdictions.

## **Natural Disasters**

[The land within the Taxing Jurisdictions, 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 Taxing Jurisdictions. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event. The property within the Taxing Jurisdictions is not located in an Alquist Priolo Earthquake Study Zone though it is located in close proximity to the San Andreas Fault. The Taxing Jurisdictions are 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 Taxing Jurisdictions 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 Taxing Jurisdictions and in the ability or willingness of property owners to pay Special Taxes.

Western Riverside County, in which the Taxing Jurisdictions are 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, none of the Taxing Jurisdictions are 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 Taxing Jurisdictions, and the coverage provided by such insurance typically insures against fire damage, although there is no assurance that homeowners within the Taxing Jurisdictions 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 Taxing Jurisdictions. 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 Taxing Jurisdictions 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 value of a parcel may be reduced as a result of the presence of a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the taxed parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

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

None of the Authority, the District or the City has knowledge of any hazardous substances being located on the property within the Taxing Jurisdictions; however, such entities have not conducted any investigation with respect to hazardous substances within the Taxing Jurisdictions.

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

Property within the Taxing Jurisdictions is subject to taxes and other charges levied by several other public agencies. See the discussion of direct and overlapping indebtedness under the heading Appendix A — “INFORMATION REGARDING THE TAXING JURISDICTIONS.” Neither the Authority, the District nor the City has control over the ability of other entities and districts to issue indebtedness secured by special taxes or assessments payable from all or a portion of the property within the Taxing Jurisdictions.

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

None of the Authority, the District or the City has control over the ability of other entities and districts to issue indebtedness secured by special taxes, *ad valorem* taxes or assessments payable from all or a portion of the property within the Taxing Jurisdictions. In addition, the landowners within the Taxing Jurisdictions may, without the consent or knowledge of the Authority, the District or the City, petition other public agencies to issue public indebtedness secured by special taxes, *ad valorem* taxes or assessments. Any such special taxes, *ad valorem* taxes or assessments may have a lien on such property on a parity with the Special Taxes

and could reduce the estimated value-to-lien ratios for property within the Taxing Jurisdictions described in this Official Statement.

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

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

### **Disclosures to Future Purchasers**

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

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

### **Special Tax Delinquencies**

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

See the delinquency tables in Appendix A — “INFORMATION REGARDING THE TAXING JURISDICTIONS” for the delinquency history of each Taxing Jurisdiction over the last five Fiscal Years.

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

The District has the authority and the obligation, subject to the Act and the maximum Special Tax rates set forth in each Rate and Method, to increase the levy of Special Taxes against non-delinquent property owners in the applicable Taxing Jurisdiction in the event other owners within such Taxing Jurisdiction are



delinquent. Pursuant to each Rate and Method, under no circumstances may the Special Tax levied against any parcel for which an occupancy permit for private residential use has been issued be increased by more than 10% per fiscal year as a consequence of delinquency or default by the owner of any other parcel or parcels within the Taxing Jurisdiction. Thus, the District may not be able to increase Special Tax levies in future fiscal years by enough to make up for delinquencies for prior fiscal years. This would result in draws on the Reserve Fund, and if delinquencies continue and in the aggregate exceed the Reserve Fund balance, defaults would occur in the payment of principal and interest on the Bonds.

### **Insufficiency of Special Taxes**

Notwithstanding that the maximum Special Taxes that may be levied in the Taxing Jurisdictions exceeds debt service due on the Local Obligations, the Special Taxes collected could be inadequate to make timely payment of debt service either because of nonpayment or because property becomes exempt from taxation.

The Rate and Method of Apportionment of Special Tax governing the levy of the Special Taxes within each Taxing Jurisdiction expressly exempts up to a specified number of acres of property owned by public entities, homeowner associations, churches and other specified owners. If for any reason property within a Taxing Jurisdiction becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government, another public agency or other organization determined to be exempt, subject to the limitations of the maximum authorized rates, the Special Tax will be reallocated to the remaining taxable properties within such Taxing Jurisdiction. This could result in certain owners of property paying a greater amount of the Special Tax and could have an adverse impact upon the ability and willingness of the owners of such property to pay the Special Tax when due.

The Mello-Roos Act provides that, if any property within a Taxing Jurisdiction not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Mello-Roos Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Mello-Roos Act have not been tested in the courts. Due to problems of collecting taxes from public agencies, if a substantial portion of land within a Taxing Jurisdiction became 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 related Local Obligations when due, or if a substantial portion of land within a Taxing Jurisdiction became exempt from the Special Tax because of public ownership, or otherwise, the maximum Special Taxes which could be levied upon the remaining taxable property therein might not be sufficient to pay principal of and interest on the related Local Obligations when due, and in either case a default could occur with respect to the payment of such principal and interest, and, in turn, a default could occur in the payment of the principal and interest on the Bonds.

Moreover, under no circumstances may the Special Tax levied against any parcel for which an occupancy permit for private residential use has been issued within a Taxing Jurisdiction be increased by more than 10% per fiscal year as a consequence of delinquency or default by the owner of any other parcel or parcels within such Taxing Jurisdiction. Thus, the District may not be able to increase Special Tax levies in a Taxing Jurisdiction in future fiscal years by enough to make up for delinquencies within such Taxing Jurisdiction for prior fiscal years. This may result in draws on the Reserve Fund, and if delinquencies continue and in the aggregate exceed the Reserve Fund balance, defaults would occur in the payment of principal and interest on the Bonds. See "SECURITY FOR THE LOCAL OBLIGATIONS — Special Taxes; Gross Special Taxes; Net Special Taxes."

## **Risks Associated with Bond Insurance**

In the event that the Authority defaults in the payment of principal of or interest on the Bonds when due, the Owners of the Bonds will have a claim under the Policy for such payments. See the caption “BOND INSURANCE.” In the event that the Insurer becomes obligated to make payments on the Bonds, no assurance can be given that such event will not adversely affect the market for the Bonds. In the event that the Insurer is unable to make payments of principal of or interest on the Bonds when due under the Policy, the Bonds will be payable solely from Revenues and amounts that are held in certain funds and accounts established under the Indenture, as described under the caption “SECURITY FOR THE BONDS.”

The long-term credit rating on the Bonds is dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer’s financial strength and claims-paying ability are predicated upon a number of factors which could change over time. If the long-term ratings of the Insurer are lowered, such event could adversely affect the market for the Bonds. See the caption “MISCELLANEOUS—Rating.”

None of the Authority, the District, the City or the Underwriter has made an independent investigation of the claims-paying ability of the Insurer, and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is being made by the Authority, the District, the City or the Underwriter in this Official Statement. Therefore, when making an investment decision with respect to the Bonds, potential investors should carefully consider the ability of the Authority to pay principal and interest on the Bonds, assuming that the Policy is not available to pay principal and interest on the Bonds, and the claims-paying ability of the Insurer through final maturity of the Bonds.

So long as the Policy remains in effect and the Insurer is not in default of its obligations thereunder, the Insurer has certain notice, consent and other rights under the Indenture and will have the right to control all remedies in the event of a default under the Indenture as to the Bonds. The Insurer is not required to obtain the consent of the Owners of the Bonds with respect to the exercise of remedies. See Appendix B.

## **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 Taxing Jurisdictions 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 Taxing Jurisdictions, 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 Taxing Jurisdictions 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 Taxing Jurisdictions 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**

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

### **Funds Invested in the County Investment Pool**

On January 24, 1996, the United States Bankruptcy Court for the Central District of California held that a State statute providing for a priority of distribution of property held in trust conflicted with, and was preempted by, federal bankruptcy law. In that case, the court addressed the priority of the disposition of moneys held in a county investment pool upon bankruptcy of the county. Following payment of the Special Taxes to the District and prior to payment by the District Trustee of debt service on the Local Obligations, such funds may be invested in the name of the City or the District for a period of time in the County investment pool. In the event of a petition of or the adjustment of County debts under Chapter 9 of the Federal Bankruptcy Code, a court might hold that the District and in turn the Authority and the Bond owners do not have a valid and/or prior lien on the Special Taxes or debt service payments on the Local Obligations where such amounts are deposited in the County investment pool and may not provide the Bond owners with a priority interest in such amounts. In that circumstance, unless the Bond owners could "trace" the funds that have been deposited in the County investment pool, the Bond owners would be unsecured (rather than secured) creditors of the County. There can be no assurance that the Bond owners could successfully so trace the Special Taxes or debt service payments.

### **No Acceleration Provision**

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture. Pursuant to the Indenture, an Owner of the Bonds is given the right for the equal benefit and protection of all owners similarly situated to pursue certain remedies described in Appendix B — "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — SUMMARY OF AUTHORITY INDENTURE — EVENTS OF DEFAULT AND REMEDIES."

### **Limitations on Remedies**

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

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

### **Loss of Tax Exemption**

As discussed under the caption "LEGAL MATTERS — Tax Matters," interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds

were issued, as a result of future acts or omissions of the Authority, the City or the District in violation of covenants in the Indenture or the Local Obligation Bond Indentures, respectively. Should such an event of taxability occur, the Bonds are not subject to a special redemption and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Indenture.

A change in the tax status of the interest on the Bonds would likely affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

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

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

As discussed under “LEGAL MATTERS — Tax Matters,” 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.

### **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 Authority 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 “INTRODUCTION — Continuing Disclosure” and Appendix F — “FORM OF CONTINUING DISCLOSURE AGREEMENT.” 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 of California 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 continue to be interpreted by the courts. The Initiative could potentially impact the Special Taxes available to the District to pay the principal of and interest on the Local Obligations as described below.

Among other things, Section 3 of Article XIII states that “. . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.”

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

Section 3 of Article 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 Local Obligations.

It may be possible, however, for voters or the City Council of the City, 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 Local Obligations, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Local Obligations. Nevertheless, to the maximum extent that the law permits it to do so, the District will covenant in each Local Obligation Bond Indenture executed by it that it will not initiate proceedings under the Mello-Roos Act to reduce the maximum Special Tax rates in a Taxing Jurisdiction below an amount equal to 110% of the debt service for the Local Obligations of such Taxing Jurisdiction in each Bond Year. The District also will covenant in each Local Obligation Bond Indenture executed by it that, in the event an initiative is adopted which purports to alter the Rate and Method of Apportionment of Special Tax for its Taxing Jurisdictions, 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 each of the Taxing Jurisdictions had less than 12 registered voters within each Taxing Jurisdiction at the time of the elections 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 elections in the Taxing Jurisdictions. Moreover, Section 53341 of the Act provides that any "action or proceeding to attack, review, set aside, void or annul the levy of a special tax...shall be commenced within 30 days after the special tax is approved by the voters." Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds. Voters within the Taxing Jurisdictions approved the Special Tax and the issuance of bonds years ago, and bonds issued on behalf of the Taxing Jurisdictions secured by the Special Taxes have been issued years ago. Based on Sections 53341 and 53359 of the Act and analysis of existing laws, regulations, rulings and court decisions, Bond Counsel is of the opinion that no successful challenge to the Special Tax being levied in accordance with the Rate and Methods may now be brought.

The interpretation and application of the Initiative will continue to 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."

### **Ballot Initiatives**

Articles XIII A, XIII B, XIII C and XIII D, all of which placed certain limitations on the power of local agencies to tax, collect and expend revenues, were adopted pursuant to measures qualified for the ballot pursuant to California's constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the City, or the District to increase revenues or to increase appropriations or on the ability of the landowners within the Taxing Jurisdictions to complete proposed future development.

## **LEGAL MATTERS**

### **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. Six (6) 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. City Attorney Joseph Sandy Aklufi pleaded not guilty and his trial has not yet commenced. 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 I, 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 Pardee Homes. 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 issuing its audit for Fiscal Year 2016-17, the City 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, interest with respect to the Bonds is exempt from State of California personal income tax. Interest on the Bonds is not excluded from gross income for federal income tax purposes.

With certain exceptions, 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 (to the extent that such issue price is lower than the stated redemption price at maturity) with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the Beneficial Owner of a Bond will increase the Beneficial Owner's basis in the Bond.

The amount by which a Beneficial Owner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which a Beneficial Owner may elect to amortize under Section 171 of the Code; such amortizable Bond premium reduces the Beneficial Owner's basis in the applicable Bond (and the amount of taxable interest received), and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Beneficial Owner realizing a taxable gain when a Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Beneficial Owner. The Beneficial Owners of Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

In the event of a legal defeasance of a Bond, such Bond might be treated as retired and "reissued" for federal tax purposes as of the date of the defeasance, potentially resulting in recognition of taxable gain or loss to the applicable Beneficial Owner generally equal to the difference between the amount deemed realized from the deemed redemption and reissuance and the Beneficial Owner's adjusted tax basis in such Bond.

See Appendix E — "FORM OF BOND COUNSEL OPINION" for a form of the opinion to be provided by Bond Counsel on the date of issuance of the Bonds.



## **Absence of Litigation**

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

## **Legal Opinion**

Certain proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel for the Authority in connection with the issuance of the Bonds. The opinion of Bond Counsel approving the validity of the Bonds substantially in the form attached as Appendix E hereto will be attached to each Bond. Bond Counsel's employment is limited to a review of legal procedures required for the approval of the Bonds and to rendering an opinion as to the validity of the Bonds and the exemption of interest on the Bonds from income taxation. Bond Counsel expresses no opinion to the Owners of the Bonds as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the Bonds and expressly disclaims any duty to do so.

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

## **MISCELLANEOUS**

### **Ratings**

S&P is expected to assign the rating of “\_\_\_\_” to the Bonds based upon the delivery of the Policy by the Insurer at the time of issuance of the Bonds. See “BOND INSURANCE” herein.

In addition, S&P is expected to assign its underlying rating of “\_\_\_\_” to the Bonds, independent of the delivery of the Policy. There is no assurance that any credit rating given to the Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. Such rating reflects only the views of S&P and an explanation of the significance of such rating may be obtained from S&P. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the City, the Authority or the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

The Authority has covenanted in a Continuing Disclosure Agreement to file notices of any rating changes on the Bonds. See the caption “—Continuing Disclosure” and Appendix F. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from the rating agencies prior to such information being provided to the Authority and prior to the date the Authority is obligated to file a notice of rating change. Purchasers of the Bonds are directed to the rating agencies and their respective websites and official media outlets for the most current ratings changes with respect to the Bonds after the initial issuance of the Bonds.

None of the City, the Authority, the District or the Underwriter makes any representation as to the Insurer's creditworthiness or any representation that the Insurer's credit rating will be maintained in the future. The rating agencies have previously taken action to downgrade the ratings of certain municipal bond insurers and have published various releases outlining the processes that they intend to follow in evaluating the ratings of financial guarantors. For some financial guarantors, the result of such evaluations could be a rating affirmation, a change in rating outlook, a review for downgrade or a downgrade. Potential investors are directed to the rating agencies for additional information on the applicable rating agencies' evaluations of the financial guaranty industry and individual financial guarantors, including the Insurer. See the caption "BOND INSURANCE" for further information relating to the Insurer.

### **Verification of Mathematical Accuracy**

Causey, Demgen & Moore, P.C., independent accountants, upon delivery of the Bonds, will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to them which were prepared by the Underwriter, relating to the sufficiency of moneys and securities deposited into the Escrow Funds to pay, when due, the principal, whether at maturity or upon prior prepayment, interest and prepayment premium requirements of the Prior Improvement Area Bonds, the Prior 2011 Authority Bonds and the Prior 2012 Authority Bonds.

The report of Causey, Demgen & Moore, P.C., will include the statement that the scope of its engagement is limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it, and that it has no obligation to update its report because of events occurring, or data or information coming to its attention, subsequent to the date of its report.

### **Underwriting**

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), at a purchase price of \$\_\_\_\_\_ (representing the par amount of the Bonds, less underwriter's discount of \$\_\_\_\_\_).

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

### **Continuing Disclosure**

The Authority will execute a continuing disclosure agreement by and between the Authority and Webb Municipal Finance, LLC, as Dissemination Agent, in the form attached hereto as Appendix F for the benefit of the Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the Authority and the Taxing Jurisdictions (the "Annual Report") and to provide notices of the occurrence of certain enumerated events (the "Listed Events"). The Annual Report will be filed by the Dissemination Agent with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board ("EMMA"). Notices of Listed Events will be filed by the Dissemination Agent with EMMA. The specific nature of the information to be included in the Annual Reports and the notices of Listed Events is set forth in Appendix F — "FORM OF DISTRICT CONTINUING DISCLOSURE AGREEMENT." The Continuing Disclosure Agreement will be executed and delivered by the Authority in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the "Rule"). The Annual Reports are to be filed by the Authority no later than the April 1 after the end of the Authority's fiscal year, which is currently June 30. The first Annual Report will be due April 1, 2021.

The City Council of the City serves as the governing board of the Authority and all of the City's community facilities districts. 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 2017. Such omissions and deficiencies included the late filing of annual reports, the late filing of or failure to file the City’s audited financial statements, the failure to file completed information on the status of facilities being constructed with bond proceeds, 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 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 and statements of the reserve requirement, cash flow management fund requirement and rate stabilization fund requirement.

The BFA has caused the District to make corrective filings for Fiscal Years 2014 through 2018 with EMMA, including the filing of audited and unaudited financial statements for Fiscal Years 2014 through 2018, supplements to certain prior continuing disclosure annual reports and notices of the failure to file certain continuing disclosure annual reports and audited financial statements.

It should be noted that the Authority is required to file certain financial statements with the Annual Reports. This requirement has been included in the Continuing Disclosure Agreement solely to satisfy the provisions of the Rule. The inclusion of this information does not mean that the Bonds are secured by any resources or property of the Authority other than as described hereinabove. See “SECURITY FOR THE BONDS,” “SECURITY FOR THE LOCAL OBLIGATIONS” and “SPECIAL RISK FACTORS.” It should also be noted that the list of significant events which the Authority has agreed to report includes three items which have absolutely no application whatsoever to the Bonds. These items have been included in the list solely to satisfy the requirements of the Rule. Thus, any implication from the inclusion of these items in the list to the contrary notwithstanding, there are no credit or liquidity providers with respect to the Bonds.

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

**Additional Information**

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

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

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

BEAUMONT PUBLIC IMPROVEMENT AUTHORITY

By: \_\_\_\_\_  
Executive Director

**APPENDIX A**

**INFORMATION REGARDING THE TAXING JURISDICTIONS**

**Improvement Area No. 8C**

*Location and Description.* Improvement Area No. 8C was formed by the City on June 6, 2006 and is located in the northeast portion of the City, southeast of the intersection of Oak Valley Parkway and Cherry Avenue. Improvement Area No. 8C consists of 689 individually owned detached single family residences. The Special Tax obligation for three of the 689 homes have been prepaid, leaving 686 taxable parcels within Improvement Area No. 8C. All 686 parcels are owned by individual homeowners. All 686 taxable parcels will be classified as Developed Property for the Fiscal Year 2020-21 Special Tax levy,

*Assigned Special Taxes.* Table A-1 below sets forth the Special Taxes that are projected to be levied on taxable property within Improvement Area No. 8C in Fiscal Year 2020-21. The Special Taxes in Improvement Area No. 8C may not be levied after Fiscal Year 2050-51. The final maturity of the Improvement Area No. 8C 2020 Bonds is September 1, 2042.

**TABLE A-1  
IMPROVEMENT AREA NO. 8C  
PROJECTED ASSIGNED SPECIAL TAXES  
FISCAL YEAR 2020-21**

<i>Tax Class</i>	<i>Description</i>	<i>No. of Units</i>	<i>Assigned Special Tax Per Unit<sup>(1)</sup></i>	<i>Projected Fiscal Year 2020-21 Special Tax Per Unit</i>	<i>Total Projected Fiscal Year 2020-21 Special Tax Levy<sup>(2)</sup></i>	<i>Percent of Total</i>
<u>Zone 1</u>						
1	Residential less than 1,901 sq. ft.	115	\$2,056	\$1,783	\$ 205,061	13.56%
2	Residential 1,901 sq. ft. 2,150 sq.ft.	49	2,222	1,927	94,440	6.24
3	Residential 2,151 sq.ft. to 2,650 sq. ft.	236	2,648	2,297	542,096	35.83
4	Residential 2,651 sq. ft. to 2,900 sq. ft.	55	2,884	2,502	137,604	9.10
5	Residential 2,901 sq. ft. to 3,150 sq. ft.	40	2,944	2,553	102,136	6.75
6	Residential 3,151 sq. ft. to 3,650 sq. ft.	46	3,059	2,653	122,036	8.07
7	Greater than 3,650 sq. ft.	35	3,408	2,956	103,469	6.84
8	Non-Residential Property	0	16,615	0	0	0.00
<u>Zone 2</u>						
1	Residential less than 1,901 sq. ft.	42	2,056	1,783	74,892	4.95
2	Residential 1,901 sq. ft. 2,150 sq.ft.	68	2,222	1,927	131,059	8.66
3	Residential 2,151 sq.ft. to 2,650 sq. ft.	0	2,648	0	0	0.00
4	Residential 2,651 sq. ft. to 2,900 sq. ft.	0	2,884	0	0	0.00
5	Residential 2,901 sq. ft. to 3,150 sq. ft.	0	2,944	0	0	0.00
6	Residential 3,151 sq. ft. to 3,650 sq. ft.	0	3,059	0	0	0.00
7	Greater than 3,650 sq. ft.	0	3,408	0	0	0.00
8	Non-Residential Property	0	26,301	0	0	0.00
<b>Total</b>		<b>686</b>			<b>\$ 1,512,792</b>	<b>100.00%</b>

<sup>(1)</sup> Special Tax is per acre for Non-Residential and Undeveloped Property.

<sup>(2)</sup> Levied in an amount sufficient to cover debt service on the Improvement Area No. 8C Bonds and pay Administrative Expenses of \$30,000.

Source: Webb Municipal Finance, LLC.

For the complete text of the Improvement Area No. 8C Rate and Method, see Appendix D — “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE TAXING JURISDICTIONS.”

***Direct and Overlapping Debt.*** The Authority has obtained the assessed values of all of the taxable property (686 taxable parcels) in Improvement Area No. 8C, as established by the County Assessor for Fiscal Year 2019-20, which totals \$221,672,729.

Improvement Area No. 8C 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 Improvement Area No. 8C is shown in Table A-2 below. In addition to current debt, new community facilities districts and/or special assessment districts could be formed in the future encompassing all or a portion of the property within Improvement Area No. 8C; and such districts or the agencies that formed them could issue more bonds and levy additional special taxes or assessments. The assessed value-to-lien ratio of the property within Improvement Area No. 8C, based on the Fiscal Year 2019-20 assessed values and all such estimated direct and overlapping special tax and assessment indebtedness within Improvement Area No. 8C, and assuming that the Improvement Area No. 8C 2020 Bonds have been issued to refund the Prior Improvement Area No. 8C Bonds, equals approximately 7.85-to-1\*. This ratio does not include other overlapping debt within Improvement Area No. 8C. Taking that direct and overlapping debt into account, the ratio of the aggregate assessed value of the Taxable Property within Improvement Area No. 8C to the total principal amount of all direct and overlapping debt (including general obligation bonded debt) for Improvement Area No. 8C is approximately 6.49-to-1\*.

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\* *Preliminary, subject to change.*

**TABLE A-2**

**IMPROVEMENT AREA NO. 8C  
DIRECT AND OVERLAPPING DEBT<sup>(1)</sup>**

**I. ASSESSED VALUE**

Assessed Valuation<sup>(1)</sup> \$ 221,672,729

**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<sup>(2)</sup></i>	<i>% Applicable</i>	<i>Amount Applicable</i>
BEAUMONT CFD 93-1 IA 8C	CFD	686	\$ 29,085,000	\$ 28,245,664	100.00%	\$ 28,245,664*
<b>TOTAL OUTSTANDING LAND SECURED BONDED DEBT<sup>(3)</sup></b>						<b>\$ 28,245,664*</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 93-1 IA 8C	CFD	686	\$ 30,000,000	\$ 0	100.00%	\$ 0
<b>TOTAL UNISSUED LAND SECURED INDEBTEDNESS<sup>(4)</sup></b>						<b>\$ 0</b>

**TOTAL OUTSTANDING AND UNISSUED LAND SECURED INDEBTEDNESS** **\$ 28,245,664\***

**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>(5)</sup></i>	<i>Amount Applicable</i>
Beaumont Unified School B & I (0.074380%)	GO	686	\$ 91,658,583	\$ 82,562,937	3.50935%	\$ 2,897,423
MT San Jacinto Comm (0.01320%)	GO	686	190,000,000	164,385,000	0.23781	390,924
San Gorgonio Memorial Healthcare District (0.06990%)	GO	686	108,000,000	106,565,000	2.46194	2,623,568
San Gorgonio Pass Water Agency (0.17750%)	GO	686	0	0	2.28112	0
<b>TOTAL OUTSTANDING GENERAL OBLIGATION BONDED DEBT</b>						<b>\$ 5,911,915</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>(5)</sup></i>	<i>Amount Applicable</i>
Beaumont Unified School B & I (0.074380%)	GO	686	\$ 141,000,000	\$ 49,341,417	3.50935 %	\$ 1,731,563
MT San Jacinto Comm (0.01320%)	GO	686	295,000,000	105,000,000	0.23781	249,701
San Gorgonio Memorial Healthcare District (0.06990%)	GO	686	108,000,000	0	2.46194	0
San Gorgonio Pass Water Agency (0.17750%)	GO	237	0	0	2.28112	0
<b>TOTAL UNISSUED GENERAL OBLIGATION INDEBTEDNESS</b>						<b>\$ 1,981,264</b>

**TOTAL OUTSTANDING AND UNISSUED GENERAL OBLIGATION INDEBTEDNESS** **\$ 7,893,179**

**TOTAL OF ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT** **\$ 34,157,579\***

**TOTAL OF ALL OUTSTANDING AND UNISSUED DIRECT AND OVERLAPPING INDEBTEDNESS** **\$ 36,138,843\***

**IV. Ratios to 2019-20 Assessed Valuation**

Outstanding Land Secured Bonded Debt	7.85:1*
Total Outstanding Bonded Debt	6.49:1*

\* Preliminary, subject to change.

(1) Reflects Fiscal Year 2019-20 assessed value.

(2) Amount outstanding is equal to the outstanding principal amounts of the Improvement Area 8C Bonds, based on the preliminary principal amount of the Improvement Area 8C 2020 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.

***Value-to-Lien.*** Construction of homes has been completed on all 689 parcels within Improvement Area No. 8C which have been transferred to individual homeowners. Three parcels have prepaid their Special Tax obligation. Table A-3 below allocates the Special Tax lien and share of the Improvement Area No. 8C Bonds based on the projected Fiscal Year 2020-21 Special Tax levy.

Table A-4 below sets forth the stratification of value-to-liens of the developed parcels within Improvement Area No. 8C based on Fiscal Year 2019-20 assessed value and each parcel's respective share of the principal amount of the Improvement Area No. 8C Bonds (allocated to each parcel based upon its respective share of the total projected Special Tax levy for Fiscal Year 2020-21) and the ratio of the assessed value to its share of the Improvement Area No. 8C Bonds. The ratio of the value of an individual lot within Improvement Area No. 8C to its respective share of the principal amount of the Improvement Area No. 8C Bonds can be expected to vary.

As shown in Table A-4, 52 parcels have value-to-lien ratios below 6.00:1. One of such parcels has reduced assessed value due to Proposition 60/90, which allows property owners aged 55 and older to transfer the base year value of a sold home to a replacement home of equal or lesser value within the same county (Proposition 60), or to another county in California (Proposition 90). This parcel is owned by an individual and has a 1975 base year value. Another of such parcels transferred its base year value due to eminent domain. The remaining 50 parcels were purchased by the current owners at much earlier dates than other properties in Improvement Area No. 8C and as a result of the limitation of assessed valuation growth allowed under Article XIII A of the State Constitution, have lower assessed values.

**TABLE A-3**

**IMPROVEMENT AREA NO. 8C  
ESTIMATED VALUE-TO-LIEN RATIOS  
ALLOCATED BY PROPERTY OWNER**

<i>Property Owner</i>	<i>Parcels</i>	<i>Projected Fiscal Year 2020-21 Special Tax Levy<sup>(1)</sup></i>	<i>Percent of Projected Fiscal Year 2020-21 Levy</i>	<i>Fiscal Year 2020-21 Assigned Special Tax</i>	<i>Percent of Total Assigned Special Tax</i>	<i>Fiscal Year 2019-20 Assessed Value</i>	<i>Percent of Fiscal Year 2019-20 Assessed Value</i>	<i>Allocation of CFD 93-1 IA 8C 2020 Bonds*</i>	<i>Allocation of CFD 93-1 IA 8C 2018 Bonds</i>	<i>Allocation of CFD 93-1 IA 8C 2017 Bonds</i>	<i>Total Debt*</i>	<i>Aggregate Value-to-Lien Ratio<sup>(2)</sup></i>
Individual Owner	2	\$ 4,799	0.32%	\$ 5,533	0.32%	\$ 619,266	0.28%	\$ 18,335	\$ 53,579	\$ 17,687	\$ 89,601	6.91:1
Individual Owner	2	4,481	0.30	5,166	0.30	718,208	0.32	17,120	50,026	16,515	83,661	8.58:1
Individual Owner	2	4,224	0.28	4,870	0.28	572,284	0.26	16,140	47,164	15,570	78,874	7.26:1
Individual Owner	2	4,224	0.28	4,870	0.28	547,537	0.25	16,140	47,164	15,570	78,874	6.94:1
Individual Owner	2	3,566	0.24	4,111	0.24	333,365	0.15	13,626	39,817	13,144	66,587	5.01:1
Individual Owner	1	2,956	0.20	3,408	0.20	525,982	0.24	11,295	33,006	10,896	55,197	9.53:1
Individual Owner	1	2,956	0.20	3,408	0.20	511,182	0.23	11,295	33,006	10,896	55,197	9.26:1
Individual Owner	1	2,956	0.20	3,408	0.20	505,726	0.23	11,295	33,006	10,896	55,197	9.16:1
Individual Owner	1	2,956	0.20	3,408	0.20	497,007	0.22	11,295	33,006	10,896	55,197	9.00:1
Individual Owner	1	2,956	0.20	3,408	0.20	481,257	0.22	11,295	33,006	10,896	55,197	8.72:1
All Others	671	1,476,717	97.62	1,702,481	97.62	216,360,915	97.60	5,642,163	16,487,220	5,442,700	27,572,083	7.85:1
<b>Total</b>	<b>686</b>	<b>\$ 1,512,792</b>	<b>100.00%</b>	<b>\$ 1,744,073</b>	<b>100.00%</b>	<b>\$ 221,672,729</b>	<b>100.00%</b>	<b>\$ 5,780,000</b>	<b>\$ 16,890,000</b>	<b>\$ 5,575,664</b>	<b>\$ 28,245,664</b>	<b>7.85:1</b>

\* Preliminary, subject to change.

<sup>(1)</sup> Projected levy in an amount sufficient to pay debt service for the Improvement Area No. 8C Bonds and Administrative Expenses of \$30,000.

<sup>(2)</sup> Aggregate Value-to-Lien based upon the par amount of the Improvement Area No. 8C Bonds.

Source: Webb Municipal Finance, LLC.



**TABLE A-4**

**IMPROVEMENT AREA NO. 8C  
VALUE-TO-LIEN STRATIFICATION**

<i>Assessed 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>(2)</sup></i>	<i>Percent of Projected Fiscal Year 2020-21 Levy</i>	<i>Fiscal Year 2020-21 Assigned Special Tax</i>	<i>Percent of Assigned Special Tax</i>	<i>Fiscal Year 2019-20 Assessed Value</i>	<i>Percent of Fiscal Year 2019-20 Assessed Value</i>	<i>Allocation of CFD 93-1 IA 8C 2020 Bonds*</i>	<i>Allocation of CFD 93-1 IA 8C 2018 Bonds</i>	<i>Allocation of CFD 93-1 IA 8C 2017 Bonds</i>	<i>Total Debt*</i>	<i>Aggregate Value-to-Lien*</i>
Less than 6.00:1 <sup>(3)</sup>	52	7.58%	\$ 108,306	7.16%	\$ 124,864	7.16%	\$ 10,073,927	4.54%	\$ 413,808	\$ 1,209,208	\$ 399,179	\$ 2,022,195	4.98:1
6.00:1 to 7.99:1	300	43.73	686,198	45.36	791,105	45.36	94,083,009	42.44	2,621,788	7,661,247	2,529,102	12,812,137	7.34:1
8.00:1 to 9.99:1	320	46.65	691,144	45.69	796,808	45.69	112,196,126	50.61	2,640,688	7,716,474	2,547,334	12,904,495	8.69:1
10.00:1 to 11.99:1	13	1.90	25,362	1.68	29,240	1.68	4,909,365	2.21	96,903	283,164	93,477	473,543	10.37:1
Greater than 11.99:1 <sup>(4)</sup>	<u>1</u>	<u>0.15</u>	<u>1,783</u>	<u>0.12</u>	<u>2,056</u>	<u>0.12</u>	<u>410,302</u>	<u>0.19</u>	<u>6,813</u>	<u>19,908</u>	<u>6,572</u>	<u>33,293</u>	<u>12.32:1</u>
<b>Total</b>	<b>686</b>	<b>100.00%</b>	<b>\$1,512,792</b>	<b>100.00%</b>	<b>\$ 1,744,073</b>	<b>100.00%</b>	<b>\$ 221,672,729</b>	<b>100.00%</b>	<b>\$ 5,780,000</b>	<b>\$16,890,000</b>	<b>\$ 5,575,664</b>	<b>\$28,245,664</b>	<b>7.85:1</b>

\* Preliminary, subject to change.

<sup>(1)</sup> Assessed Value-to-Lien based upon par amount of the Improvement Area No. 8C Bonds.

<sup>(2)</sup> Levied in an amount sufficient to pay debt service for the Improvement Area No. 8C Bonds and Administrative Expenses of \$30,000.

<sup>(3)</sup> Lowest estimated Value-to-Lien is 0.63:1. See "Value to Lien" above for a discussion of parcels with value to lien ratios below 6.00:1.

<sup>(4)</sup> Highest estimated Value-to-Lien is 12.32:1.

Source: Webb Municipal Finance, LLC.

**Historical Assessed Values.** The following table summarizes the historical and current assessed values within Improvement Area No. 8C over the past 5 Fiscal Years.

**TABLE A-5**

**IMPROVEMENT AREA NO. 8C  
HISTORIC ASSESSED VALUE**

<i>Fiscal Year<sup>(1)</sup></i>	<i>Total Parcels<sup>(1)</sup></i>	<i>Land Assessed Value</i>	<i>Improvement Assessed Value</i>	<i>Total Property Assessed Value<sup>(2)</sup></i>	<i>Increase/(Decrease) in Property Assessed Value</i>
2015-16	687	\$34,917,574	\$121,141,241	\$156,058,815	N/A
2016-17	687	37,366,970	163,525,376	200,892,346	28.73% <sup>(4)</sup>
2017-18	687	37,902,308	170,194,564	208,096,872	3.59
2018-19	686 <sup>(3)</sup>	38,217,876	177,209,479	215,427,355	3.52
2019-20	686	38,562,210	183,110,519	221,672,729	2.90

<sup>(1)</sup> There are a total of 689 parcels within Improvement Area No. 8C, three of which have prepaid their respective Special Tax obligation.

<sup>(2)</sup> Net assessed values as of January 1 of each year from the County Assessor’s Roll.

<sup>(3)</sup> Decrease reflects prepayment of Special Tax obligation.

<sup>(4)</sup> Increase primarily a result of additional development activity within Improvement Area No. 8C.

Sources: Webb Municipal Finance, LLC; County Assessor.

**Effective Tax Rate.** Based on the estimated Fiscal Year 2021-22 Special Tax levy, and Fiscal Year 2019-20 tax rates for all other taxing jurisdictions within Improvement Area No. 8C, the total estimated Fiscal Year 2019-20 average effective tax rate for Developed Property in Improvement Area No. 8C is approximately 2.14% of the Fiscal Year 2019-20 average assessed value for parcels with improvement value.

The following Table A-6 sets forth the estimated total tax obligation of property in Improvement Area No. 8C based on average assessed value of a parcel with a completed home (as provided by the County) in Improvement Area No. 8C.

**TABLE A-6**  
**IMPROVEMENT AREA NO. 8C**  
**ESTIMATED AVERAGE FISCAL YEAR 2019-20 TAX OBLIGATION<sup>(1)</sup>**

Average Home Value <sup>(2)</sup>	\$ 324,292
<i>Ad Valorem</i> Property Taxes:	
Basic Levy (1.0000%)	\$ 3,242.92
Beaumont Unified School B & I (0.07438%)	241.21
MT San Jacinto Comm (0.01320%)	42.81
San Gorgonio Memorial Healthcare District (0.06990%)	226.68
San Gorgonio Pass Water District (0.17750%)	<u>575.62</u>
<b>Total General Property Taxes</b>	<b>\$ 4,329.23</b>
Assessment, Special Taxes & Parcel Charges:	
FLD CNTRL STORMWATER/CLEANWATER	\$ 3.74
CFD 93-1 IA 8C CITY OF BEAUMONT <sup>(3)</sup>	2,205.24
CFD 93-1 IA 8C SRV CITY OF BEAUMONT <sup>(4)</sup>	358.42
SAN GORGONIO HOSPITAL MEASURE D	<u>56.70</u>
<b>Total Assessment Charges</b>	<b>\$ 2,624.10</b>
<b>Average Total Property Tax</b>	<b>\$ 6,953.33</b>
<b>Average Effective Tax Rate</b>	<b>2.14%</b>

- (1) Average Fiscal Year 2019-20 tax rates based upon Fiscal Year 2019-20 overlapping taxes and assessment rates.  
(2) Average Home Value is based upon average assessed values for Developed Property with improvement value for Fiscal Year 2019-20.  
(3) Reflects Improvement Area No. 8C average projected Fiscal Year 2020-21 Special Tax levy for facilities for Developed Property with improvement assessed value.  
(4) Reflects Improvement Area No. 8C average projected Fiscal Year 2020-21 special tax levy for services for Developed Property with improvement assessed value.

Source: Webb Municipal Finance, LLC; Assessed value information provided by the County.

**Delinquencies.** Unpaid amounts of the Special Taxes become delinquent after December 10 and April 10 of each Fiscal Year. Table A-7 below summarizes the Special Tax delinquencies within Improvement Area No. 8C for the past five Fiscal Years and as of May 31, 2020.

**TABLE A-7**  
**COMMUNITY FACILITIES DISTRICT NO. 93-1 IA 8C**  
**SPECIAL TAX LEVIES, DELINQUENCIES AND DELINQUENCY RATES**  
**FISCAL YEARS 2015-16 THROUGH FISCAL YEAR 2019-20**

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Delinquencies Following Fiscal Year End</i>			<i>Delinquencies as of May 31, 2020</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2015-16	\$1,496,612.50	655	3	\$5,913.29	0.40%	0	\$ 0.00	0.00%
2016-17	1,613,148.04	687	2	3,951.96	0.24	0	0.00	0.00
2017-18	1,645,407.94	687	0	0.00	0.00	0	0.00	0.00
2018-19	1,526,980.66	686	2	3,477.84	0.23	1	2,318.56	0.15
2019-20	1,556,768.22	686	N/A	N/A	N/A	6	10,816.11	0.69

Source: Webb Municipal Finance, LLC.

***Local Obligation Coverage.*** The following table shows the coverage on the Improvement Area No. 8C Bonds if Special Taxes were levied within Improvement Area No. 8C at the Assigned Special Tax rate and annual Administrative Expenses were \$30,000. The District does not expect to levy the Special Tax at the Assigned Special Tax rate and will levy the amount necessary to pay debt service on the Improvement Area No. 8C Bonds and Administrative Expenses.

Under the Act, under no circumstances may the Special Tax levied against any parcel for which an occupancy permit for private residential use has been issued be increased by more than 10% per fiscal year as a consequence of delinquency or default by the owner of any other parcel or parcels within the Taxing Jurisdiction. Thus, the District may not be able to increase Special Tax levies in future fiscal years by enough to make up for delinquencies for prior fiscal years.

**TABLE A-8**  
**IMPROVEMENT AREA NO. 8C BONDS**  
**LOCAL OBLIGATION COVERAGE TABLE\***

<i>Bond Year Ending September 1</i>	<i>Total Assigned Special Taxes<sup>(1)</sup></i>	<i>Annual Administrative Expenses<sup>(2)</sup></i>	<i>Net Special Tax Revenues</i>	<i>IA No. 8C Bonds Debt Service<sup>(3)</sup></i>	<i>Coverage on IA No. 8C Bonds<sup>(1)(4)</sup></i>
2021	\$1,778,954	\$30,000	\$1,748,954	\$1,482,792	117.95%
2022	1,814,533	30,000	1,784,533	1,513,059	117.94
2023	1,850,824	30,000	1,820,824	1,541,996	118.08
2024	1,887,840	30,000	1,857,840	1,573,559	118.07
2025	1,925,597	30,000	1,895,597	1,607,496	117.92
2026	1,964,109	30,000	1,934,109	1,643,496	117.68
2027	2,003,391	30,000	1,973,391	1,676,309	117.72
2028	2,043,459	30,000	2,013,459	1,714,497	117.44
2029	2,084,328	30,000	2,054,328	1,749,808	117.40
2030	2,126,015	30,000	2,096,015	1,787,184	117.28
2031	2,168,535	30,000	2,138,535	1,821,359	117.41
2032	2,211,906	30,000	2,181,906	1,862,634	117.14
2033	2,256,144	30,000	2,226,144	1,905,059	116.85
2034	2,301,267	30,000	2,271,267	1,904,003	119.29
2035	2,347,292	30,000	2,317,292	1,905,002	121.64
2036	2,394,238	30,000	2,364,238	1,903,540	124.20
2037	2,442,123	30,000	2,412,123	1,903,890	126.69
2038	2,490,965	30,000	2,460,965	1,906,452	129.09
2039	2,540,784	30,000	2,510,784	1,909,250	131.51
2040	2,591,600	30,000	2,561,600	1,904,375	134.51
2041	2,643,432	30,000	2,613,432	1,907,625	137.00
2042	2,696,301	30,000	2,666,301	1,903,500	140.07
2043	2,750,227	30,000	2,720,227	1,977,250	137.58
2044	2,805,231	30,000	2,775,231	1,978,500	140.27
2045	2,861,336	30,000	2,831,336	1,981,000	142.92
2046	2,918,563	30,000	2,888,563	1,979,500	145.92
2047	2,976,934	30,000	2,946,934	1,979,000	148.91
2048	3,036,472	30,000	3,006,472	1,979,250	151.90

\* Preliminary, subject to change.

(1) Reflects estimated annual Assigned Special Taxes for 686 taxable units classified as Developed Property. Special Taxes will be levied only in an amount equal to debt service plus annual Administrative Expenses. Under the Act, under no circumstances will the Special Taxes levied against any Assessor's Parcel of Residential Property within Improvement Area No. 8C for which an occupancy permit for private residential use has been issued be increased by more than ten percent per fiscal year as a consequence of delinquency or default by the owner of any other Assessor's Parcel within the Improvement Area.

(2) Priority Administrative Expenses are equal to \$30,000 per year.

(3) Reflects debt service on the Improvement Area No. 8C Bonds.

(4) Calculated by dividing the Net Special Tax Revenues column by the IA No. 8C Bonds Debt Service column.

Source: Webb Municipal Finance, LLC, except for debt service on the Improvement Area No. 8C Bonds, which was provided by the Underwriter.

### **Improvement Area No. 17B**

**Location and Description.** Improvement Area No. 17B was formed by the City on November 21, 2006 and is located on north of Oak Valley Parkway, west of Desert Lawn Drive in the north-western portion of the City. Improvement Area No. 17B consists of 390 homes. The Special Tax obligation for two of the 390 homes have been prepaid, leaving 388 taxable parcels within Improvement Area No. 17B. The property in Improvement Area No. 17B is builtout with all homes owned by individuals. Improvement Area No. 17B is part of the master-planned community known as "Oak Valley."

**Assigned Special Taxes.** Table A-9 below sets forth the Special Taxes that are projected to be levied on taxable property within Improvement Area No. 17B in Fiscal Year 2020-21. The Special Taxes in Improvement Area No. 17B may not be levied after Fiscal Year 2050-51. The final maturity of the Improvement Area No. 17B Bonds is September 1, 2042.

**TABLE A-9**  
**IMPROVEMENT AREA NO. 17B**  
**PROJECTED ASSIGNED SPECIAL TAXES**  
**FISCAL YEAR 2019-20**

<i>Tax Class</i>	<i>Description</i>	<i>No. of Units</i>	<i>Assigned Special Tax Per Unit<sup>(1)</sup></i>	<i>Projected Fiscal Year 2020-21 Special Tax Per Unit</i>	<i>Total Projected Fiscal Year 2020-21 Special Tax Levy<sup>(2)</sup></i>	<i>Percent of Total</i>
1	Residential Less than 2,000 sq. ft.	122	\$ 2,355	\$1,556	\$ 189,863	28.71%
2	Residential 2,000 sq. ft. to 2,200 sq. ft.	69	2,523	1,667	115,021	17.39
3	Residential 2,201 sq. ft. to 2,400 sq.ft.	33	2,606	1,722	56,823	8.59
4	Residential 2,401 sq. ft. to 2,600 sq. ft.	21	2,648	1,750	36,746	5.56
5	Residential 2,601 sq. ft. to 2,800 sq. ft.	69	2,690	1,778	122,661	18.55
6	Residential 2,801 sq. ft. to 3,200 sq. ft.	68	2,774	1,833	124,619	18.84
7	Residential 3,201 sq. ft. to 3,600 sq. ft.	2	3,650	2,412	4,823	0.73
8	Residential greater than 3,600 sq. ft.	4	4,090	2,703	10,811	1.63
N/A	Non-Residential Zone A	0	17,911	0	0	0.00
N/A	Non-Residential Zone B	0	13,799	0	0	0.00
<b>Total</b>		<b>388</b>			<b>\$ 661,367</b>	<b>100.00%</b>

<sup>(1)</sup> Special Tax is per acre for Non-Residential Property.

<sup>(2)</sup> Levied in an amount sufficient to cover debt service on the Improvement Area No. 17B Bonds and pay Administrative Expenses of \$30,000.

Source: Webb Municipal Finance, LLC.

For the complete text of the Improvement Area No. 17B Rate and Method, see Appendix D — “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE TAXING JURISDICTIONS.”

**Direct and Overlapping Debt.** The Authority has obtained the assessed values of all of the taxable property in Improvement Area No. 17B, as established by the County Assessor for Fiscal Year 2019-20, which totals \$124,338,523.

Improvement Area No. 17B 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 Improvement Area No. 17B is shown in Table A-10 below. In addition to current debt, new community facilities districts and/or special assessment districts could be formed in the future encompassing all or a portion of the property within Improvement Area No. 17B; and such districts or the agencies that formed them could issue more bonds and levy additional special taxes or assessments. The assessed value-to-lien ratio of the property within Improvement Area No. 17B, based on the Fiscal Year 2019-20 assessed values and all such estimated direct and overlapping special tax and assessment indebtedness within Improvement Area No. 17B, and assuming that the Improvement Area No. 17B Bonds have been issued to refund the Prior Improvement Area No. 17B Bonds, equals approximately 10.52-to-1\*. This ratio does not include other overlapping debt within Improvement Area No. 17B. Taking that direct and

\* Preliminary, subject to change.

overlapping debt into account, the ratio of the aggregate assessed value of the Taxable Property within Improvement Area No. 17B to the total principal amount of all direct and overlapping debt (including general obligation bonded debt) for Improvement Area No. 17B is approximately 8.22-to-1\*.

**TABLE A-10**

**IMPROVEMENT AREA NO. 17B  
DIRECT AND OVERLAPPING DEBT**

**I. ASSESSED VALUE**

Assessed Valuation<sup>(1)</sup> \$ 124,338,523

**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<sup>(2)</sup></i>	<i>% Applicable</i>	<i>Amount Applicable</i>
BEAUMONT CFD 93-1 IA 17B	CFD	388	\$ 12,145,000	\$ 11,815,000	100.00%	\$ 11,815,000*
<b>TOTAL OUTSTANDING LAND SECURED BONDED DEBT<sup>(3)</sup></b>						<b>\$ 11,815,000*</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 93-1 IA 17B	CFD	388	\$ 25,000,000	\$ 0	100.00%	\$ 0
<b>TOTAL UNISSUED LAND SECURED INDEBTEDNESS<sup>(3)</sup></b>						<b>\$ 0</b>

**TOTAL OUTSTANDING AND UNISSUED LAND SECURED INDEBTEDNESS \$ 11,815,000\***

**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>(5)</sup></i>	<i>Amount Applicable</i>
Beaumont Unified School B & I (0.074380%)	GO	388	\$ 91,658,583	\$ 82,562,937	1.96843%	\$ 1,625,194
MT San Jacinto Comm (0.01320%)	GO	388	190,000,000	164,385,000	0.13339	219,273
San Gorgonio Memorial Healthcare District (0.06990%)	GO	388	108,000,000	106,565,000	1.38093	1,471,587
San Gorgonio Pass Water Agency (0.17750%) <sup>(6)</sup>	GO	388	0	0	1.27951	0
<b>TOTAL OUTSTANDING GENERAL OBLIGATION BONDED DEBT</b>						<b>\$ 3,316,054</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>(5)</sup></i>	<i>Amount Applicable</i>
Beaumont Unified School B & I (0.074380%)	GO	388	\$ 141,000,000	\$ 49,341,417	1.96843%	\$ 971,252
MT San Jacinto Comm (0.01320%)	GO	388	295,000,000	105,000,000	0.13339	140,060
San Gorgonio Memorial Healthcare District (0.06990%)	GO	388	108,000,000	0	1.38093	0
San Gorgonio Pass Water Agency (0.17750%) <sup>(6)</sup>	GO	237	0	0	1.27951	0
<b>TOTAL UNISSUED GENERAL OBLIGATION INDEBTEDNESS</b>						<b>\$ 1,111,311</b>

**TOTAL OUTSTANDING AND UNISSUED GENERAL OBLIGATION INDEBTEDNESS \$ 4,427,366**

**TOTAL OF ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT<sup>(7)</sup> \$ 15,131,054\***

**TOTAL OF ALL OUTSTANDING AND UNISSUED DIRECT AND OVERLAPPING INDEBTEDNESS \$ 16,242,366\***

**IV. Ratios to 2019-20 Assessed Valuation**

Outstanding Land Secured Bonded Debt	10.52:1*
Total Outstanding Bonded Debt	8.22:1*

\* Preliminary, subject to change.

(1) Based on Fiscal Year 2019-20 assessed value.

(2) Amount outstanding is equal to the initial principal amount of the Improvement Area No. 17B 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.



***Value-to-Lien.*** Home construction has been completed on all 388 taxable parcels within Improvement Area No. 17B which have been transferred to individual homeowners. Table A-11 below allocates the Special Tax lien and share of the Improvement Area No. 17B Bonds based on the projected Fiscal Year 2020-21 Special Tax levy.

Table A-12 below sets forth the stratification of value-to-liens of the developed parcels within Improvement Area No. 17B based on Fiscal Year 2019-20 assessed value and each parcel's respective share of the principal amount of the Improvement Area No. 17B Bonds (allocated to each parcel based upon its respective share of the total projected Special Tax levy for Fiscal Year 2020-21) and the ratio of the assessed value to its share of the Improvement Area No. 17B Bonds. The ratio of the value of an individual lot within Improvement Area No. 17B to its respective share of the principal amount of the Improvement Area No. 17B Bonds can be expected to vary.

**TABLE A-11**

**IMPROVEMENT AREA NO. 17B  
ESTIMATED VALUE-TO-LIEN RATIOS  
ALLOCATED BY PROPERTY OWNER**

<i>Property Owner</i>	<i>Parcels</i>	<i>Projected Fiscal Year 2020-21 Special Tax Levy<sup>(1)</sup></i>	<i>Percent of Projected Fiscal Year 2020-21 Levy</i>	<i>Fiscal Year 2020-21 Assigned Special Tax</i>	<i>Percent of Total Assigned Special Tax</i>	<i>Fiscal Year 2019-20 Assessed Value</i>	<i>Percent of Fiscal Year 2019-20 Assessed Value</i>	<i>Allocation of CFD 93-1 IA 17B 2020 Bonds *</i>	<i>Aggregate Value-to-Lien Ratio<sup>(2)*</sup></i>
Individual Owner	3	\$ 5,028	0.76%	\$ 7,609	0.76%	\$ 1,015,396	0.82%	\$ 89,822	11.30:1
Individual Owner	1	2,703	0.41	4,090	0.41	428,480	0.34	48,283	8.87:1
Individual Owner	1	2,703	0.41	4,090	0.41	422,107	0.34	48,283	8.74:1
Individual Owner	1	2,703	0.41	4,090	0.41	380,942	0.31	48,283	7.89:1
Individual Owner	1	2,703	0.41	4,090	0.41	329,803	0.27	48,283	6.83:1
Individual Owner	1	2,412	0.36	3,650	0.36	397,495	0.32	43,081	9.23:1
Individual Owner	1	2,412	0.36	3,650	0.36	383,007	0.31	43,081	8.89:1
Individual Owner	1	1,833	0.28	2,774	0.28	478,584	0.38	32,739	14.62:1
Individual Owner	1	1,833	0.28	2,774	0.28	441,756	0.36	32,739	13.49:1
Individual Owner	1	1,833	0.28	2,774	0.28	436,340	0.35	32,739	13.33:1
All Others	<u>376</u>	<u>635,207</u>	<u>96.04</u>	<u>961,338</u>	<u>96.04</u>	<u>119,624,613</u>	<u>96.21</u>	<u>11,347,667</u>	<u>10.54:1</u>
<b>Total</b>	<b>388</b>	<b>\$661,367</b>	<b>100.00%</b>	<b>\$1,000,929</b>	<b>100.00%</b>	<b>\$ 124,338,523</b>	<b>100.00%</b>	<b>\$ 11,815,000</b>	<b>10.52:1</b>

\* Preliminary, subject to change.

<sup>(1)</sup> Levied in an amount sufficient to pay debt service for the Improvement Area No. 17B Bonds and Administrative Expenses of \$30,000.

<sup>(2)</sup> Aggregate Value-to-Lien based upon the par amount of the Improvement Area No. 17B Bonds.

Source: Webb Municipal Finance, LLC.

**TABLE A-12**

**IMPROVEMENT AREA NO. 17B  
VALUE-TO-LIEN STRATIFICATION**

<i>Assessed 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>(2)</sup></i>	<i>Percent of Projected Fiscal Year 2020-21 Levy</i>	<i>Fiscal Year 2020-21 Assigned Special Tax</i>	<i>Percent of Assigned Special Tax</i>	<i>Fiscal Year 2019-20 Assessed Value</i>	<i>Percent of Fiscal Year 2019-20 Assessed Value</i>	<i>Allocation of CFD 93-1 IA 17B 2020 Bonds</i>	<i>Aggregate Value-to- Lien</i>
Less than 8.00:1 <sup>(3)</sup>	15	3.87%	\$ 26,881	4.06%	\$ 40,682	4.06%	\$ 3,541,265	2.85%	\$ 480,214	7.37:1
8.00:1 to 9.99:1	117	30.15	198,445	30.01	300,332	30.01	32,674,657	26.28	3,545,128	9.22:1
10.00:1 to 11.99:1	203	52.32	345,265	52.20	522,532	52.20	67,816,589	54.54	6,167,987	10.99:1
Greater than 11.99:1 <sup>(4)</sup>	<u>53</u>	<u>13.66</u>	<u>90,776</u>	<u>13.73</u>	<u>137,383</u>	<u>13.73</u>	<u>20,306,012</u>	<u>16.33</u>	<u>1,621,672</u>	12.52:1
<b>Total</b>	<b>388</b>	<b>100.00%</b>	<b>\$ 661,367</b>	<b>100.00%</b>	<b>\$ 1,000,929</b>	<b>100.00%</b>	<b>\$ 124,338,523</b>	<b>100.00%</b>	<b>\$ 11,815,000</b>	<b>10.52:1</b>

<sup>(1)</sup> Assessed Value-to-Lien based upon par amount of the Improvement Area No. 17B Bonds.

<sup>(2)</sup> Levied in an amount sufficient to pay debt service for the Improvement Area No. 17B Bonds and Administrative Expenses of \$30,000.

<sup>(3)</sup> Lowest estimated Value-to-Lien is 5.56:1.

<sup>(4)</sup> Highest estimated Value-to-Lien is 14.62:1.

Source: Webb Municipal Finance, LLC.

**Historical Assessed Values.** The following table summarizes the historical and current assessed values within Improvement Area No. 17B over the past 5 Fiscal Years.

**TABLE A-13**

**IMPROVEMENT AREA NO. 17B  
HISTORIC ASSESSED VALUE**

<i>Fiscal Year<sup>(1)</sup></i>	<i>Total Parcels</i>	<i>Land Assessed Value</i>	<i>Improvement Assessed Value</i>	<i>Total Property Assessed Value<sup>(2)</sup></i>	<i>Increase/(Decrease) in Property Assessed Value</i>
2015-16	388	\$21,900,107	\$ 87,364,941	\$109,265,048	N/A
2016-17	388	22,282,405	90,950,792	113,233,197	3.63%
2017-18	388	22,551,379	93,919,358	116,470,737	2.86
2018-19	388	22,693,547	97,772,458	120,466,005	3.43
2019-20	388	22,972,007	101,366,516	124,338,523	3.21

<sup>(1)</sup> Webb Municipal Finance, LLC is unable to confirm the accuracy of all data for fiscal years prior to Fiscal Year 2015-16.

<sup>(2)</sup> Net assessed values as of January 1 of each year from the County Assessor's Roll.

Sources: Webb Municipal Finance, LLC; County Assessor.

**Effective Tax Rate.** Based on the estimated Fiscal Year 2021-22 Special Tax levy, and Fiscal Year 2019-20 tax rates for all other taxing jurisdictions within Improvement Area No. 17B, the total estimated Fiscal Year 2019-20 average effective tax rate for Developed Property in Improvement Area No. 17B is approximately 1.99% of the Fiscal Year 2019-20 average assessed value for parcels with improvement value.

The following Table A-14 sets forth the estimated total tax obligation of property in Improvement Area No. 17B based on average assessed value of a parcel with a completed home (as provided by the County) in Improvement Area No. 17B.

**TABLE A-14**

**COMMUNITY FACILITIES DISTRICT NO. 93-1 IMPROVEMENT AREA 17B  
ESTIMATED AVERAGE FISCAL YEAR 2019-20 TAX OBLIGATION<sup>(1)</sup>  
FOR PARCELS OF DEVELOPED PROPERTY**

Average Home Value <sup>(2)</sup>	\$ 320,460
<i>Ad Valorem</i> Property Taxes:	
Basic Levy (1.0000%)	\$ 3,204.60
Beaumont Unified School B & I (0.07438%)	238.36
MT San Jacinto Comm (0.01320%)	42.30
San Gorgonio Memorial Healthcare District (0.06990%)	224.00
San Gorgonio Pass Water District (0.17750%)	<u>568.82</u>
<b>Total General Property Taxes</b>	<b>\$ 4,278.08</b>
Assessment, Special Taxes & Parcel Charges:	
FLD CNTRL STORMWATER/CLEANWATER	\$ 3.74
CFD 93-1 IA 17B CITY OF BEAUMONT <sup>(3)</sup>	1,704.55
CFD 93-1 IA 17B SRV CITY OF BEAUMONT <sup>(4)</sup>	349.12
SAN GORGONIO HOSPITAL MEASURE D	<u>56.70</u>
<b>Total Assessment Charges</b>	<b>\$ 2,114.11</b>
<b>Average Total Property Tax</b>	<b>\$ 6,392.19</b>
<b>Average Effective Tax Rate</b>	<b>1.99%</b>

<sup>(1)</sup> Average Fiscal Year 2019-20 tax rates based upon Fiscal Year 2019-20 overlapping taxes and assessment rates.

<sup>(2)</sup> Average Home Value is based upon average assessed values for Developed Property with improvement value for Fiscal Year 2019-20.

<sup>(3)</sup> Reflects Improvement Area No. 8C average projected Fiscal Year 2020-21 Special Tax levy for facilities for Developed Property with improvement assessed value.

<sup>(4)</sup> Reflects Improvement Area No. 8C average projected Fiscal Year 2020-21 special tax levy for services for Developed Property with improvement assessed value.

Source: Webb Municipal Finance, LLC; Assessed value information provided by the County.

**Delinquencies.** Unpaid amounts of the Special Taxes become delinquent after December 10 and April 10 of each Fiscal Year. Table A-15 below summarizes the Special Tax delinquencies within Improvement Area No. 17B for the past five Fiscal Years and as of May 31, 2020.

**TABLE A-15**  
**CITY OF BEAUMONT**  
**COMMUNITY FACILITIES DISTRICT NO. 93-1 IA 17B**  
**SPECIAL TAX LEVIES, DELINQUENCIES AND DELINQUENCY RATES**  
**FISCAL YEARS 2015-16 THROUGH FISCAL YEAR 2019-20**

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Delinquencies Following Fiscal Year End</i>			<i>Delinquencies as of May 31, 2020</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2015-16	\$906,569.14	388	3	\$5,787.82	0.64%	0	\$ 0.00	0.00%
2016-17	924,700.12	388	3	5,124.64	0.55	1	1,281.16	0.14
2017-18	893,942.30	388	3	3,528.86	0.39	1	1,238.55	0.14
2018-19	866,334.06	388	4	8,951.38	1.03	0	0.00	0.00
2019-20 <sup>(1)</sup>	872,183.76	388	N/A	N/A	N/A	9	14,382.92	1.65

Source: Webb Municipal Finance, LLC.

**Local Obligation Coverage.** The following table shows the coverage on the Improvement Area No. 17B Bonds if Special Taxes were levied within Improvement Area No. 17B at the Assigned Special Tax rate and annual Administrative Expenses were \$30,000. The District does not expect to levy the Special Tax at the Assigned Special Tax rate and will levy the amount necessary to pay debt service on the Improvement Area No. 17B Bonds and Administrative Expenses.

Under the Act, under no circumstances may the Special Tax levied against any parcel for which an occupancy permit for private residential use has been issued be increased by more than 10% per fiscal year as a consequence of delinquency or default by the owner of any other parcel or parcels within the Taxing Jurisdiction. Thus, the District may not be able to increase Special Tax levies in future fiscal years by enough to make up for delinquencies for prior fiscal years.

**TABLE A-16**  
**IMPROVEMENT AREA NO. 17B BONDS**  
**LOCAL OBLIGATION COVERAGE TABLE**

<i>Bond Year Ending September 1</i>	<i>Total Assigned Special Taxes<sup>(1)</sup></i>	<i>Annual Administrative Expenses<sup>(2)</sup></i>	<i>Net Special Tax Revenues</i>	<i>IA No. 17B Bonds Debt Service</i>	<i>Coverage on IA No. 17B Bonds<sup>(1)(3)</sup></i>
2021	\$1,020,947	\$30,000	\$ 990,947	\$ 631,367	156.95%
2022	1,041,366	30,000	1,011,366	650,063	155.58
2023	1,062,194	30,000	1,032,194	667,188	154.71
2024	1,083,438	30,000	1,053,438	683,375	154.15
2025	1,105,106	30,000	1,075,106	698,625	153.89
2026	1,127,208	30,000	1,097,208	717,938	152.83
2027	1,149,753	30,000	1,119,753	741,125	151.09
2028	1,172,748	30,000	1,142,748	758,000	150.76
2029	1,196,203	30,000	1,166,203	778,750	149.75
2030	1,220,127	30,000	1,190,127	803,188	148.18
2031	1,244,529	30,000	1,214,529	821,125	147.91
2032	1,269,420	30,000	1,239,420	837,750	147.95
2033	1,294,808	30,000	1,264,808	858,063	147.40
2034	1,320,704	30,000	1,290,704	881,875	146.36
2035	1,347,118	30,000	1,317,118	904,000	145.70
2036	1,374,061	30,000	1,344,061	924,438	145.39
2037	1,401,542	30,000	1,371,542	948,188	144.65
2038	1,429,573	30,000	1,399,573	975,063	143.54
2039	1,458,164	30,000	1,428,164	999,875	142.83
2040	1,487,328	30,000	1,457,328	1,027,625	141.82
2041	1,517,074	30,000	1,487,074	1,028,125	144.64
2042	1,547,416	30,000	1,517,416	1,032,313	146.99

<sup>(1)</sup> Reflects estimated annual Assigned Special Taxes for 146 units classified as Developed Property. Special Taxes will be levied only in an amount equal to 110% of debt service plus annual Administrative Expenses. Under the Act, under no circumstances will the Special Taxes levied against any Assessor's Parcel of Residential Property within Improvement Area No. 17B for which an occupancy permit for private residential use has been issued be increased by more than ten percent per fiscal year as a consequence of delinquency or default by the owner of any other Assessor's Parcel within the Improvement Area.

<sup>(2)</sup> Priority Administrative Expenses are equal to \$30,000 per year.

<sup>(3)</sup> Calculated by dividing the Net Special Tax Revenues column by the IA No. 17B Bonds Debt Service column.

Source: Webb Municipal Finance, LLC, except for debt service on the Improvement Area No. 17B Bonds, which was provided by the Underwriter.

## **APPENDIX B**

### **SUMMARY OF PRINCIPAL DOCUMENTS**

*The following is a brief summary of certain provisions of the Indenture governing the terms of the Bonds and the form of Local Obligation Bond Indenture which is being separately executed by the District (on behalf of the Improvement Areas), each governing the terms of the Local Obligations. This summary includes only the provisions of the documents not already summarized in the Official Statement and does not purport to be complete and is qualified in its entirety by reference to said documents.*

[TO COME]



**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”).*

[TO COME]

## APPENDIX D

### RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE TAXING JURISDICTIONS

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#### AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT FOR IMPROVEMENT AREA NO. 8C (SUNDANCE) OF COMMUNITY FACILITIES DISTRICT NO. 93-1 OF THE CITY OF BEAUMONT

A Special Tax as hereinafter defined shall be levied on and collected in Improvement Area No. 8C (“IA No. 8C”) of Community Facilities District No. 93-1 of the City of Beaumont (“CFD No. 93-1”) each Fiscal Year, in an amount determined by the City Council of the City of Beaumont through the application of the appropriate Special Tax for “Developed Property,” “Final Map Property,” and “Undeveloped Property,” as described below. All of the real property in IA No. 8C of CFD No. 93-1, 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 art Assessor’s Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map. 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 any ordinary and necessary expense incurred by the City to carry out the administration of IA No. 8C of CFD No. 93-1 related to the determination of the amount of the levy of Special Taxes, the collection of Special Taxes including the expenses of collecting delinquencies, the administration of Bonds, the payment of salaries and benefits of any City employee whose duties are directly related to the administration of IA No. 8C, and costs otherwise incurred in order to carry out the authorized purposes of IA No. 8C.

“**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. 93-1.

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

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

“**Assigned Special Tax for Facilities**” 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.

“**Building Permit**” means a permit for new construction for a residential dwelling 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.

“**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.

“**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 and providing for the levy and collection of the Special Taxes.

“**CFD No. 93-1**” means Community Facilities District No. 93-1 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. 93-1, 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 Assessor’s Parcels that: (i) were issued Building Permits on or before June 1<sup>st</sup> preceding the Fiscal Year in which the Special Tax is being levied, and (ii) were created on or before the January 1<sup>st</sup> preceding the Fiscal Year in which the Special Tax is being levied, and that each such Assessor’s Parcel is associated with a Lot, as reasonably determined by the City.

“**Exempt Property**” means all Assessor’s Parcels designated as being exempt from Special Tax as determined in Section J.

“**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 1352 that creates individual lots for which Building Permits may be issued without further subdivision.

“**Final Map Property**” means all Assessor’s Parcels: (i) that are included in a Final Map that was recorded prior to the January 1<sup>st</sup> preceding the Fiscal Year in which the Special Tax is being levied, and (ii) for which a Building Permit was not issued prior to the June 1<sup>st</sup> preceding the Fiscal Year in which the Special Tax is being levied.

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

“**Improvement Area No 8C**” or “**IA No. 8C**” means Improvement Area No. 8C as depicted on the boundary map of CFD No. 93-1.

“**Lot**” means an individual legal lot created by a Final Map, identified by an Assessor’s Parcel Number for which a Building Permit could be issued.

“**Maximum Special Tax**” means the Maximum Special Tax for Facilities and Maximum Special Tax for Services.

“**Maximum Special Tax for Facilities**” means the maximum Special Tax, determined in accordance with Section C that can be levied by CFD No. 93-1 in any Fiscal Year on any Assessor’s Parcel.

“**Maximum Special Tax for Services**” means the maximum Special Tax, determined in accordance with Section C that can be levied by CFD No. 93-1 in any Fiscal Year on any Assessor’s Parcel.

“**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.

“**Operating Fund**” means a fund that shall be maintained for IA No. 8C of CFD No. 93-1 for any Fiscal Year to pay for the actual costs of maintenance, repair, and replacement of the Service Area, and the Administrative Expenses.

“**Operating Fund Balance**” means the amount of funds in the 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 Facilities obligation for an Assessor’s Parcel, as described in Section H.

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

“**Proportionately**” means that (i) the ratio of the actual Special Tax for Facilities levy to the applicable Assigned Special Tax for Facilities is equal for all applicable Assessor’s Parcels and (ii) the ratio of the actual Special Tax for Services levy to the applicable Maximum Special Tax for Services is equal for all applicable Assessor’s Parcels. In case of Developed Property subject to the apportionment of the Special Tax for Facilities under step four of Section F, “Proportionately” in step four means that the quotient of (a) the actual Special Tax for Facilities levy less the Assigned Special Tax for Facilities divided by (b) the Backup Special Tax for Facilities less the Assigned Special Tax for Facilities, is equal for all applicable Assessor’s Parcels.

“**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.

“**Service Area**” means the landscape parkways, neighborhood park, easements and green belts within the boundaries of IA No. 8C and the City of Beaumont, and IA No. 8C’s fair share of storm drain and flood control facilities.

“**Special Tax**” means Special Tax for Facilities and Special Tax for Services.

“**Special Tax for Facilities**” means any of the special taxes authorized to be levied by CFD No. 93-1 pursuant to the Act to fund the Special Tax Requirement for Facilities.

“**Special Tax for Services**” means any of the special taxes authorized to be levied by CFD No. 93-1 pursuant to the Act to fund the Special Tax Requirement for Services.

“**Special Tax Requirement**” means Special Tax Requirement for Facilities and Special Tax Requirement for Services.

“**Special Tax Requirement for Facilities**” means the amount required in any Fiscal Year for IA No. 8C 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 IA No. 8C 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 amount 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 Services**” means the amount determined in any Fiscal Year for IA No. 8C equal to (i) the budgeted costs of the maintenance, repair and replacement of the Service Area which have been accepted and maintained or are reasonably expected to be accepted and maintained during the current Fiscal Year, (ii) Administrative Expenses, and (iii) anticipated delinquent Special Taxes for Services based on the delinquency rate in IA No. 8C for the previous Fiscal Year, less (iv) the Operating Fund Balance.

“**Taxable Property**” means all Assessor’s Parcels within CFD No. 93-1 which are not Exempt Property.

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

“**Zone A**” means a specific geographic area as depicted in Attachment No. 2 attached hereto.

“**Zone B**” means a specific geographic area as depicted in Attachment No. 2 attached hereto.

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

Each Fiscal Year, beginning with Fiscal Year 2006-2007, each Assessor’s Parcel within IA No. 8C shall be classified as Taxable Property or Exempt Property. In addition, each Assessor’s Parcel of Taxable Property shall be further classified as Developed Property, Final Map Property or Undeveloped Property. Lastly, each Assessor’s Parcel of Developed Property shall further be classified as Residential Property or Non Residential Property.

## **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 Table 1 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 for Facilities in Table 1 of Section D.
- b. Prior to the issuance of Bonds, the Assigned Special Tax for Facilities on Developed Property set forth in Table 1 and the Assigned Special Tax for Facilities on Final Map Property and Undeveloped Property set forth in Section D.2 may be reduced in accordance with, and subject to the conditions set forth in this paragraph. If it is reasonably determined by the CFD Administrator that the overlapping debt burden (as defined in the Statement of Goals and Policies for the Use of the Mello-Roos Community Facilities Act of 1982 adopted by the City

Council, the “Goals and Policies”) calculated pursuant to the Goals and Policies exceeds the City’s maximum level objective set forth in such document, the Maximum Special Tax for Facilities on Developed Property may be reduced (by modifying Table 1) to the amount necessary to satisfy the City’s objective with respect to the maximum overlapping debt burden level with the written consent of the CFD Administrator. In order to reduce the Maximum Special Tax for Facilities on Developed Property it may be necessary to reduce the Maximum Special Tax for Facilities for Final Map Property and Undeveloped Property. The reductions permitted pursuant to this paragraph shall be reflected in an amended Notice of Special Tax Lien which the City shall cause to be recorded by executing a certificate in substantially the form attached hereto as Attachment No. 1.

- c. The Maximum Special Tax for Services for each Assessor’s Parcel of Residential Property that is classified as Developed Property for Fiscal Year 2006-2007 shall be \$265.90 per dwelling unit. The Maximum Special Tax for Services for each Assessor’s Parcel of Non-Residential Property that is classified as Developed Property for Fiscal Year 2006-2007 shall be \$1,649 per Acre. On each July 1, commencing July 1, 2007, the Maximum Special Tax for Services for the prior Fiscal Year shall be adjusted by an amount equal to the percentage change in the Consumer Price Index for the Calendar Year ending in December of the prior Fiscal Year.

**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 Facilities in Section D.
- b. The Maximum Special Tax for Services for each Assessor’s Parcel classified as Final Map Property in Fiscal Year 2006-2007 shall be \$1,649 per Acre. On each July 1, commencing July 1, 2007, the Maximum Special Tax for Services for the prior Fiscal Year shall be adjusted by an amount equal to the percentage change in the Consumer Price Index for the Calendar Year ending in December of the prior Fiscal Year.

**3. Undeveloped Property**

The Maximum Special Tax for Facilities for each Assessor’s Parcel classified as Undeveloped Property shall be the Assigned Special Tax for Facilities in Section D.

**SECTION D  
ASSIGNED SPECIAL TAX FOR FACILITIES**

**1. Developed Property**

Each Fiscal Year, each Assessor’s Parcel of Developed Property shall be subject to an Assigned Special Tax for Facilities. The Assigned Special Tax for Facilities applicable to an Assessor’s Parcel of Developed Property within Zone A and Zone B for any Fiscal Year shall be determined pursuant to Table 1 below.

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

Land Use Type	Building Square Footage	Assigned Special Tax for Facilities for Fiscal Year 2006-2007
Residential Property	Less than 1,901	\$1,558 per dwelling unit
Residential Property	1,901 – 2,150	\$1,684 per dwelling unit
Residential Property	2,151 – 2,650	\$2,007 per dwelling unit
Residential Property	2,651 – 2,900	\$2,186 per dwelling unit
Residential Property	2,901 – 3,150	\$2,231 per dwelling unit
Residential Property	3,151 – 3,650	\$2,318 per dwelling unit
Residential Property	Greater than 3,650	\$2,583 per dwelling unit
Non-Residential Zone A	N/A	\$12,592 per Acre
Non-Residential Zone B	N/A	\$19,933 per Acre

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

Each Fiscal Year, each Assessor’s Parcel of Final Map Property and Undeveloped Property shall be subject to an Assigned Special Tax for Facilities. The Assigned Special Tax for Facilities for an Assessor’s Parcel classified as Final Map Property or Undeveloped Property for Fiscal Year 2006-2007 shall be \$12,592 per Acre for Zone A and \$19,933 per Acre for Zone B.

**3. Increase in the Assigned Special Tax for Facilities**

On each July 1, commencing on July 1, 2007, the Assigned Special Tax for Facilities for each Assessor’s Parcel of Developed Property, Final Map Property, and Undeveloped Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

**SECTION E  
BACKUP SPECIAL TAXES FOR FACILITIES**

Each Fiscal Year, each Assessor’s Parcel of Developed Property classified as Residential Property shall be subject to a Backup Special Tax for Facilities. In each Fiscal Year, the Backup Special Tax for Facilities rate for Developed Property classified as Residential Property within a Final Map shall be the rate per Lot calculated according to the following formula:

$$B = \frac{R \times A}{L}$$

The terms above have the following meanings:

- B = Backup Special Tax for Facilities per Lot in each Fiscal Year
- R = Maximum Special Tax for Facilities rate per Acre for Undeveloped Property for the applicable Fiscal Year
- A = Acreage of Developed Property classified or to be classified as Residential Property in such Final Map.
- L = Lots in the Final Man which are classified or to be classified as Residential Property.

Each July 1, commencing on July 1, 2007, the Backup Special Tax for each Assessor’s Parcel shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

Notwithstanding the foregoing, if all or any portion of the Final Map(s) described in the preceding paragraph is subsequently changed or modified, then the Backup Special Tax for Facilities for each Assessor's Parcel of Developed Property classified or to be classified as Residential Property in such Final Map area that is changed or modified shall be a rate per square foot of Acreage calculated as follows:

1. Determine the total Backup Special Tax for Facilities anticipated to apply to the changed or modified Final Map area prior to the change or modification.
2. The result of paragraph 1 above shall be divided by the Acreage of Developed Property classified or to be classified as Residential Property which is ultimately expected to exist in such changed or modified Final Map area, as reasonably determined by the City.
3. The result of paragraph 2 above shall be divided by 43,560. The result is the Backup Special Tax for Facilities per square foot of Acreage which shall be applicable to Assessor's Parcels of Developed Property classified as Residential Property in such changed or modified Final Map area for all remaining Fiscal Years in which the Special Tax for Facilities may be levied.

**SECTION F**  
**METHOD OF APPORTIONMENT OF THE SPECIAL TAX FOR FACILITIES AND THE**  
**SPECIAL TAX FOR SERVICES**

1. Commencing Fiscal Year 2006-2007 and for each subsequent Fiscal Year, the City Council shall levy a Special Tax for Facilities on all Taxable Property within IA No. 8C 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 Table 1 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 Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property, excluding any Undeveloped Property 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 Undeveloped Property classified



as Undeveloped Property 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.

2. Commencing Fiscal Year 2006-2007 and for each subsequent Fiscal Year, the City Council shall levy a Special Tax for Services on all Taxable Property within IA No. 8C until the amount of Special Tax for Services equals the Special Tax Requirement for Services in accordance with the following steps:

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

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

Under no circumstances will the Special Tax for Facilities or the Special Tax for 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 CFD No. 93-1 by more than ten (10) percent of the Special Tax that would be levied in that Fiscal Year, if there were no delinquencies, pursuant to California Government Code Section 53321(d), as in effect on the date of formation of CFD No. 93-1.

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

The following definitions apply to this Section G:

**“CFD Public Facilities”** means \$19,200,000 expressed in 2007 dollars, which shall increase by the Construction Inflation Index on January 1, 2008, and on each January 1 thereafter, or such lower number as (i) shall be determined by the City as sufficient to provide the public facilities under the authorized bonding program for CFD No. 93-1, or (ii) shall be 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. 93-1.

**“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 or 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 Tax 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 the Maximum Special Tax 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. 93-1 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:

1. For Assessor’s Parcels of Developed Property, compute the Assigned Special Taxes for Facilities and the Backup Special Taxes 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 applicable to the Assessor’s Parcel 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 Assessor’s Parcels classified as Undeveloped Property pursuant to Section J, compute the Assigned Special Tax for Facilities.
2. For each Assessor’s Parcel of Developed Property, Final Map Property, Undeveloped Property, or Undeveloped Property pursuant to Section J 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 City, 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 City.

3. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by Outstanding Bonds. The product shall be the “Bond Redemption Amount.”
4. 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.”
5. 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 to be redeemed with the proceeds of the Prepayment Amount until the earliest call 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 the Special Tax for Facilities obligation that is prepaid pursuant to this Section G, the City Council shall indicate in the records of CFD No. 93-1 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, 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 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:

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

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.
- A = the Administrative Fee calculated according to Section G.10.

With respect to any Assessor's Parcel that is partially prepaid, the City Council shall indicate in the records of CFD No. 93-1 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.

**MANDATORY PARTIAL PREPAYMENT:** Prior to the close of escrow for the first transfer of title of any Developed Parcel after the date on which a Certificate of Occupancy for such Parcel was issued by the City, the Maximum Special Tax shall be subject to mandatory partial prepayment in a amount necessary to bring the Total Property Tax Burden for the then-current Fiscal Year to an amount less than or equal to 2% of the sale price of the Parcel. The amount required shall be due and payable upon transfer of title. No prepayment shall be required if the Total Property Tax Burden is not in excess of the 2% limit. The Builder shall notify the City in writing of the mandatory partial prepayment requirement at least 30 days prior to close of escrow. The City shall calculate and determine the prepayment amount using the methodology for a partial prepayment herein, such that the partial prepayment shall be in the exact percentage required for a Total Property Tax Burden not in excess of the 2% limit.

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

**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 Assessors' 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. 93-1 for uncollected Special Tax for Facilities associated with the levy of such Special Tax for Facilities, but not later than the 2050-2051 Fiscal Year. The Special Tax for Services shall be levied as long as it is needed to meet the Special Tax Requirement for 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 owned by the State of California, Federal or other local governments, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels 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 87.34 Acres for Zone A and 9.23 Acres for Zone B. Notwithstanding the above, the City Council shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property to less than 87.34 Acres for Zone A and 9.23 Acres for Zone B. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 87.34 Acres for Zone A and 9.23 Acres for Zone B will continue to be classified as Undeveloped Property, and will continue to be subject to Special Taxes accordingly.

**SECTION K  
APPEALS**

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the City Council not later than twelve months after having paid the first installment of the Special Tax that is disputed. A representative(s) of CFD No. 93-1 shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the representative's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

The City Council may interpret this IA No. 8C and the levy of Special Taxes for purposes of clarifying any ambiguity and make determinations relative to the annual administration of the Special Tax and any landowner or resident appeals. Any decision of the City Council shall be binding as to all persons.

**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. 93-1 may collect the Special Tax at a different time or in a different manner if necessary to meet its financial obligations.

**RATE AND METHOD OF APPORTIONMENT FOR  
IMPROVEMENT AREA NO. 17B (TOURNAMENT HILLS) OF  
COMMUNITY FACILITIES DISTRICT NO. 93-1  
OF THE CITY OF BEAUMONT**

A Special Tax as hereinafter defined shall be levied on and collected in Improvement Area No. 17B (“IA No. 17B”) of Community Facilities District No. 93-1 of the City of Beaumont (“CFD No. 93-1”) each Fiscal Year, in an amount determined by the City Council of the City of Beaumont through the application of the appropriate Special Tax for “Developed Property,” “Final Map Property,” and “Undeveloped Property,” as described below. All of the real property in IA No. 17B of CFD No. 93-1, 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. 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 any ordinary and necessary expense incurred by the City to carry out the administration of IA No. 17B of CFD No. 93-1 related to the determination of the amount of the levy of Special Taxes, the collection of Special Taxes including the expenses of collecting delinquencies, the administration of Bonds, the payment of salaries and benefits of any City employee whose duties are directly related to the administration of IA No. 17B, and costs otherwise incurred in order to carry out the authorized purposes of IA No. 17B.

“**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. 93-1.

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

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

“**Assigned Special Tax for Facilities**” 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.

“**Building Permit**” means a permit for new construction for a residential dwelling 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.

**“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.

**“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 and providing for the levy and collection of the Special Taxes.

**“CFD No. 93-1”** means Community Facilities District No. 93-1 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. 93-1, 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 Assessor’s Parcels that: (i) were issued Building Permits on or before June 1st preceding the Fiscal Year in which the Special Tax is being levied, and (ii) were created on or before the January 1st preceding the Fiscal Year in which the Special Tax is being levied, and that each such Assessor’s Parcel is associated with a Lot, as reasonably determined by the City.

**“Exempt Property”** means all Assessor’s Parcels designated as being exempt from Special Tax as determined in Section J.

**“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 1352 that creates individual lots for which Building Permits may be issued without further subdivision.

**“Final Map Property”** means all Assessor’s Parcels: (i) that are included in a Final Map that was recorded prior to the June 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 June 1st preceding the Fiscal Year in which the Special Tax is being levied.

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

**“Improvement Area No. 17B” or “IA No. 17B”** means Improvement Area No. 17B as depicted on the boundary map of CFD No. 93-1.

**“Lot”** means an individual legal lot created by a Final Map, identified by an Assessor’s Parcel Number for which a Building Permit could be issued.

**“Maximum Special Tax”** means the Maximum Special Tax for Facilities and Maximum Special Tax for Services.

**“Maximum Special Tax for Facilities”** means the maximum Special Tax, determined in accordance with Section C that can be levied by CFD No. 93-1 in any Fiscal Year on any Assessor’s Parcel.

**“Maximum Special Tax for Services”** means the maximum Special Tax, determined in accordance with Section C that can be levied by CFD No. 93-1 in any Fiscal Year on any Assessor’s Parcel.

**“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.

**“Operating Fund”** means a fund that shall be maintained for IA No. 17B of CFD No. 93-1 for any Fiscal Year to pay for the actual costs of maintenance, repair, and replacement of the Service Area, and the Administrative Expenses.

**“Operating Fund Balance”** means the amount of funds in the 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 Facilities obligation for an Assessor’s Parcel, as described in Section H.

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

**“Proportionately”** means that (i) the ratio of the actual Special Tax for Facilities levy to the applicable Assigned Special Tax for Facilities is equal for all applicable Assessor’s Parcels and (ii) the ratio of the actual Special Tax for Services levy to the applicable Maximum Special Tax for Services is equal for all applicable Assessor’s Parcels. In case of Developed Property subject to the apportionment of the Special Tax for Facilities under step four of Section F, “Proportionately” in step four means that the quotient of (a) the actual Special Tax for Facilities levy less the Assigned Special Tax for Facilities divided by (b) the Backup Special Tax for Facilities less the Assigned Special Tax for Facilities, is equal for all applicable Assessor’s Parcels.

**“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.

**“Service Area”** means the landscape parkways, neighborhood and City parks, easements and green belts within the boundaries of IA No. 17B and the City of Beaumont, and IA No. 17B’s fair share of storm drain and flood control facilities.

**“Special Tax”** means Special Tax for Facilities and Special Tax for Services.

**“Special Tax for Facilities”** means any of the special taxes authorized to be levied by CFD No. 93-1 pursuant to the Act to fund the Special Tax Requirement for Facilities.

**“Special Tax for Services”** means any of the special taxes authorized to be levied by CFD No. 93-1 pursuant to the Act to fund the Special Tax Requirement for Services.

**“Special Tax Requirement”** means Special Tax Requirement for Facilities and Special Tax Requirement for Services.

**“Special Tax Requirement for Facilities”** means the amount required in any Fiscal Year for IA No. 17B 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 IA No. 17B 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 amount 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 Services”** means the amount determined in any Fiscal Year for IA No. 17B equal to (i) the budgeted costs of the maintenance, repair and replacement of the Service Area which have been accepted and maintained or are reasonably expected to be accepted and maintained during the current Fiscal Year, (ii) Administrative Expenses, and (iii) anticipated delinquent Special Taxes for Services based on the delinquency rate in IA No. 17B for the previous Fiscal Year, less (iv) the Operating Fund Balance.

**“Taxable Property”** means all Assessor’s Parcels within CFD No. 93-1 which are not Exempt Property.

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

**“Zone A”** means a specific geographic area designated as planning area 7, tract no. 31288-1, and as depicted on the Proposed Boundary Map.

**“Zone B”** means a specific geographic area designated as planning areas 8, 9, and 14, tracts 31288-2, -3, and -4, and as depicted on the Proposed Boundary Map.

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

Each Fiscal Year, beginning with Fiscal Year 2006-2007, each Assessor’s Parcel within IA No. 17B shall be classified as Taxable Property or Exempt Property. In addition, each Assessor’s Parcel of Taxable Property shall be further classified as Developed Property, Final Map Property or Undeveloped Property. Lastly, each Assessor’s Parcel of Developed Property shall further be classified as Residential Property or Non Residential Property.

## **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 Table 1 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 for Facilities in Table 1 of Section D.
- b. Prior to the issuance of Bonds, the Assigned Special Tax for Facilities on Developed Property set forth in Table 1 and the Assigned Special Tax for Facilities on Final Map Property and Undeveloped Property set forth in Section D.2 may be reduced in accordance with, and subject to the conditions set forth in this paragraph. If it is reasonably determined by the CFD Administrator that the overlapping debt burden (as defined in the Statement of Goals and Policies for the Use of the Mello-Roos Community Facilities Act of 1982 adopted by the City Council, the “Goals and Policies”) calculated pursuant to the Goals and Policies exceeds the City’s maximum level objective set forth in such document, the Maximum Special Tax for Facilities on Developed Property may be reduced (by modifying Table 1) to the amount necessary to satisfy the City’s objective with respect to the maximum overlapping debt burden level with the written consent of the CFD Administrator. In order to reduce the

Maximum Special Tax for Facilities on Developed Property it may be necessary to reduce the Maximum Special Tax for Facilities for Final Map Property and Undeveloped Property. The reductions permitted pursuant to this paragraph shall be reflected in an amended Notice of Special Tax Lien which the City shall cause to be recorded by executing a certificate in substantially the form attached hereto as Attachment No. 1.

- c. The Maximum Special Tax for Services for each Assessor's Parcel of Residential Property that is classified as Developed Property for Fiscal Year 2006-2007 shall be \$259 per dwelling unit. The Maximum Special Tax for Services for each Assessor's Parcel of Non-Residential Property that is classified as Developed Property for Fiscal Year 2006-2007 shall be \$1,638 per Acre. On each July 1, commencing July 1, 2007, the Maximum Special Tax for Services for the prior Fiscal Year shall be adjusted by an amount equal to the percentage change in the Consumer Price Index for the Calendar Year ending in December of the prior Fiscal Year.

**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 Facilities in Section D.
- b. The Maximum Special Tax for Services for each Assessor's Parcel classified as Final Map Property in Fiscal Year 2006-2007 shall be \$1,638 per Acre. On each July 1, commencing July 1, 2007, the Maximum Special Tax for Services for the prior Fiscal Year shall be adjusted by an amount equal to the percentage change in the Consumer Price Index for the Calendar Year ending in December of the prior Fiscal Year.

**3. Undeveloped Property**

The Maximum Special Tax for Facilities for each Assessor's Parcel classified as Undeveloped Property shall be the Assigned Special Tax for Facilities in Section D.

**SECTION D  
ASSIGNED SPECIAL TAX FOR FACILITIES**

**1. Developed Property**

Each Fiscal Year, each Assessor's Parcel of Developed Property shall be subject to an Assigned Special Tax for Facilities. The Assigned Special Tax for Facilities applicable to an Assessor's Parcel of Developed Property within Zone A and Zone B for any Fiscal Year shall be determined pursuant to Table 1 below.

**TABLE 1**

**ASSIGNED SPECIAL TAX RATES FOR FACILITIES FOR DEVELOPED PROPERTY**

<b>Land Use Type</b>	<b>Building Square Footage</b>	<b>Assigned Special Tax for Facilities for Fiscal Year 2006-2007</b>
Residential Property	Less than 2,000	\$1,785 per dwelling unit
Residential Property	2,000 – 2,200	\$1,912 per dwelling unit
Residential Property	2,201 – 2,400	\$1,975 per dwelling unit
Residential Property	2,401 – 2,600	\$2,007 per dwelling unit
Residential Property	2,601 – 2,800	\$2,039 per dwelling unit
Residential Property	2,801 – 3,200	\$2,102 per dwelling unit
Residential Property	3,201 – 3,600	\$2,766 per dwelling unit
Residential Property	Greater than 3,600	\$3,100 per dwelling unit
Non-Residential Zone A	N/A	\$13,574 per Acre
Non-Residential Zone B	N/A	\$10,458 per Acre

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

Each Fiscal Year, each Assessor's Parcel of Final Map Property and Undeveloped Property shall be subject to an Assigned Special Tax for Facilities. The Assigned Special Tax for Facilities for an Assessor's Parcel classified as Final Map Property or Undeveloped Property for Fiscal Year 2006-2007 shall be \$13,574 per Acre for Zone A and \$10,458 per Acre for Zone B.

**3. Increase in the Assigned Special Tax for Facilities**

On each July 1, commencing on July 1, 2007, the Assigned Special Tax for Facilities for each Assessor's Parcel of Developed Property, Non Residential Property, Final Map Property, and Undeveloped Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

**SECTION E  
BACKUP SPECIAL TAXES FOR FACILITIES**

Each Fiscal Year, each Assessor's Parcel of Developed Property classified as Residential Property shall be subject to a Backup Special Tax for Facilities. In each Fiscal Year, the Backup Special Tax for Facilities rate for Developed Property classified as Residential Property within a Final Map shall be the rate per Lot calculated according to the following formula:

$$B = \frac{R \times A}{L}$$

The terms above have the following meanings:

B = Backup Special Tax for Facilities per Lot in each Fiscal Year

R = Maximum Special Tax for Facilities rate per Acre for Undeveloped Property for the applicable Fiscal Year

A = Acreage of Developed Property classified or to be classified as Residential Property in such Final Map.

L = Lots in the Final Map which are classified or to be classified as Residential Property.

Each July 1, commencing on July 1, 2007, the Backup Special Tax for each Assessor's Parcel shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

Notwithstanding the foregoing, if all or any portion of the Final Map(s) described in the preceding paragraph is subsequently changed or modified, then the Backup Special Tax for Facilities for each Assessor's Parcel of Developed Property classified or to be classified as Residential Property in such Final Map area that is changed or modified shall be a rate per square foot of Acreage calculated as follows:

1. Determine the total Backup Special Tax for Facilities anticipated to apply to the changed or modified Final Map area prior to the change or modification.
2. The result of paragraph 1 above shall be divided by the Acreage of Developed Property classified or to be classified as Residential Property which is ultimately expected to exist in such changed or modified Final Map area, as reasonably determined by the City.
3. The result of paragraph 2 above shall be divided by 43,560. The result is the Backup

Special Tax for Facilities per square foot of Acreage which shall be applicable to Assessor's Parcels of Developed Property classified as Residential Property in such changed or modified Final Map area for all remaining Fiscal Years in which the Special Tax for Facilities may be levied.

**SECTION F**  
**METHOD OF APPORTIONMENT OF THE SPECIAL TAX FOR FACILITIES AND**  
**THE SPECIAL TAX FOR SERVICES**

1. Commencing Fiscal Year 2006-2007 and for each subsequent Fiscal Year, the City Council shall levy a Special Tax for Facilities on all Taxable Property within IA No. 17B 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 Table 1 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 Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property, excluding any Undeveloped Property 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 Undeveloped Property classified as Undeveloped Property 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.

2. Commencing Fiscal Year 2006-2007 and for each subsequent Fiscal Year, the City Council shall levy a Special Tax for Services on all Taxable Property within IA No. 17B until the amount of Special Tax for Services equals the Special Tax Requirement for Services in accordance with the following steps:

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

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

Under no circumstances will the Special Tax for Facilities or the Special Tax for 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 CFD No. 93-1 by more than ten percent(10%) of the Special Tax that would be levied in that Fiscal Year, if there were no delinquencies, pursuant to California Government Code Section 53321(d), as in effect on the date of formation of CFD No. 93-1.

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

The following definitions apply to this Section G:

**"CFD Public Facilities"** means \$12,00,000 expressed in 2006 dollars, which shall increase by the Construction Inflation Index on January 1, 2007, and on each January 1 thereafter, or such lower number as (i) shall be determined by the City as sufficient to provide the public facilities under the authorized bonding program for CFD No. 93-1, or (ii) shall be 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. 93-1.

**"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 or 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 Tax 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 the Maximum Special Tax 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. 93-1 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:

1. For Assessor’s Parcels of Developed Property, compute the Assigned Special Taxes for Facilities and the Backup Special Taxes 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 applicable to the Assessor’s Parcel 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 Assessor’s Parcels classified as Undeveloped Property pursuant to Section J, compute the Assigned Special Tax for Facilities.
2. For each Assessor’s Parcel of Developed Property, Final Map Property, Undeveloped Property, or Undeveloped Property pursuant to Section J 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 City, 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 City.

3. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by Outstanding Bonds. The product shall be the “Bond Redemption Amount.”
4. 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.”
5. 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 to be redeemed with the proceeds of the Prepayment Amount until the earliest call 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 the Special Tax for Facilities obligation that is prepaid pursuant to this Section G, the City Council shall indicate in the records of CFD No. 93-1 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, 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 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:

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

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.
- A = the Administrative Fee calculated according to Section G.10.

With respect to any Assessor's Parcel that is partially prepaid, the City Council shall indicate in the records of CFD No. 93-1 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.

**MANDATORY PARTIAL PREPAYMENT:** Prior to the close of escrow for the first transfer of title of any Developed Parcel after the date on which a Certificate of Occupancy for such Parcel was issued by the City, the Maximum Special Tax shall be subject to mandatory partial prepayment in a amount necessary to bring the Total Property Tax Burden for the then-current Fiscal Year to an amount less than or equal to 2% of the sale price of the Parcel. The amount required shall be due and payable upon transfer of title. No prepayment shall be required if the Total Property Tax Burden is not in excess of the 2% limit. The Builder shall notify the City in writing of the mandatory partial prepayment requirement at least 30 days prior to close of escrow. The City shall calculate and determine the prepayment amount using the methodology for a partial prepayment herein, such that the partial prepayment shall be in the exact percentage required for a Total Property Tax Burden not in excess of the 2% limit.

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

**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 Assessors' 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. 93-1 for uncollected Special Tax for Facilities associated with the levy of such Special Taxes for Facilities, but not later than the 2050-2051 Fiscal Year. The Special Tax for Services



shall be levied as long as it is needed to meet the Special Tax Requirement for 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 owned by the State of California, Federal or other local governments, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels 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 17.48 Acres for Zone A and 55.54 Acres for Zone B. Notwithstanding the above, the City Council shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property to less than 17.48 Acres for Zone A and 55.54 Acres for Zone B. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 17.48 Acres for Zone A and 55.54 Acres for Zone B will continue to be classified as Undeveloped Property, and will continue to be subject to Special Taxes accordingly.

## **SECTION K APPEALS**

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the City Council not later than twelve months after having paid the first installment of the Special Tax that is disputed. A representative(s) of CFD No. 93-1 shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the representative's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

The City Council may interpret this IA No. 17B and the levy of Special Taxes for the purposes of clarifying any ambiguity and make determinations relative to the annual administration of the Special Tax and any landowner or resident appeals. Any decision of the City Council shall be binding as to all persons.

## **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. 93-1 may collect the Special Tax at a different time or in a different manner if necessary to meet its financial obligations.

**Attachment No. 1**

**CITY OF BEAUMONT AND CFD NO. 93-1 IMPROVEMENT AREA 17B  
CERTIFICATE**

1. Pursuant to Section \_\_\_\_ of the Rate and Method of Apportionment of Special Tax (the "RMA"), the City of Beaumont (the "City") and Community Facilities District No. 93-1 Improvement Area 17B of the City of Beaumont ("CFD No. 93-1 IA 17B") hereby agree to a reduction in the Maximum Special Tax for Facilities for Developed Property:
  - (a) The information in Table 1 relating to the Maximum Special Tax for Facilities for Developed Property and/or Undeveloped Property within CFD No. 93-1 IA 17B shall be modified as follows:

*[insert Table 1 showing effective change to special tax rates and/or insert change to special tax rates for Undeveloped Property]*
2. Table 1 may only be modified prior to the issuance of Bonds.
3. Upon execution of the Certificate by the City and CFD No. 93-1 IA 17B the City shall cause an amended Notice of Special Tax Lien to be recorded reflecting the modifications set forth herein.

By execution hereof, the undersigned acknowledges, on behalf of the City of Beaumont and CFD No. 93-1 IA 17B, receipt of this Certificate and modification of the RMA as set forth in this Certificate.

CITY OF BEAUMONT

By: \_\_\_\_\_  
CFD Administrator

Date: \_\_\_\_\_

COMMUNITY FACILITIES DISTRICT NO. 93-1 IMPROVEMENT AREA 17B OF THE  
CITY OF BEAUMONT

By: \_\_\_\_\_

Date: \_\_\_\_\_

**APPENDIX E**  
**FORM OF BOND COUNSEL OPINION**

[TO COME]

**APPENDIX F**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**

[TO COME]

## APPENDIX G

### DTC AND THE BOOK-ENTRY-ONLY SYSTEM

*The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC to the Authority which the Authority believes to be reliable, but the Authority and the Underwriters 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). Such website is not incorporated herein by such reference.

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 redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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.

**APPENDIX H**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

**APPENDIX I**  
**SECURITIES AND EXCHANGE COMMISSION ORDER**