

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

\$4,795,000
COMMUNITY FACILITIES DISTRICT NO. 5
OF THE CITY OF MORENO VALLEY
SPECIAL TAX REFUNDING BONDS
SERIES 2021

Dated: Date of Delivery

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

The Community Facilities District No. 5 of the City of Moreno Valley Special Tax Refunding Bonds, Series 2021 (the "Bonds") are being issued: (i) to refund all of the Community Facilities District No. 5 of the City of Moreno Valley 2007 Special Tax Bonds, which are currently outstanding in the aggregate principal amount of \$4,985,000; (ii) to fund a deposit to the Reserve Account; and (iii) to pay the costs of issuance of the Bonds. Community Facilities District No. 5 of the City of Moreno Valley has been formed by and is located in the City of Moreno Valley, California (the "City").

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California), and pursuant to a Bond Indenture, dated as of December 1, 2021, by and between the District and Wilmington Trust, National Association, as trustee. The Bonds are special obligations of the District and are payable solely from revenues derived from certain annual Special Taxes to be levied on and collected from the owners of certain taxable land within the District and from certain other funds pledged under the Indenture, all as further described in this Official Statement. The Special Taxes are to be levied according to the rate and method of apportionment approved by the City Council of the City and the qualified electors within the District. See the caption "SOURCES OF PAYMENT FOR THE BONDS—Special Taxes." The City Council of the City is the legislative body of the District.

The Bonds are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases may be made in integral multiples of \$5,000 and will be in book-entry form only. Purchasers of the Bonds will not receive certificates representing their beneficial ownership in the Bonds but will receive credit balances on the books of their respective nominees. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described in this Official Statement. Interest on the Bonds will be payable on March 1 and September 1 of each year, commencing on March 1, 2022. Principal of and interest on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants, who are obligated to remit such payments to the Beneficial Owners of the Bonds. See the captions "THE BONDS—General Provisions" and "THE BONDS—Book-Entry Only System."

Neither the faith and credit nor the taxing power of the City, the County of Riverside, the State of California or any political subdivision of the State is pledged to the payment of the Bonds. Except for the Net Taxes, no other taxes are pledged to the payment of the Bonds. The Bonds are limited obligations of the District payable solely from Net Taxes and certain other amounts held under the Indenture, as more fully described in this Official Statement.

The Bonds are subject to optional redemption, mandatory sinking fund redemption and extraordinary redemption from Special Tax prepayments prior to maturity. See the caption "THE BONDS—Redemption."

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

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

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and subject to certain other conditions. Nixon Peabody LLP, is serving as Disclosure Counsel with respect to the Bonds. Certain legal matters will be passed on for the District by the City Attorney, for the Underwriter by Kutak Rock LLP, Irvine, California, and for the Trustee by its counsel. It is anticipated that the Bonds in book-entry form will be available for delivery in book-entry form through the facilities of DTC on or about December 21, 2021.

STIFEL

\$4,795,000
COMMUNITY FACILITIES DISTRICT NO. 5
OF THE CITY OF MORENO VALLEY
SPECIAL TAX REFUNDING BONDS
SERIES 2021

MATURITY SCHEDULE

Base CUSIP[†] 616865

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP[†]</i>
2022	\$265,000	3.000%	0.510%	101.723	FQ9
2023	165,000	3.000	0.810	103.677	FR7
2024	185,000	4.000	1.260	107.234	FS5
2025	195,000	4.000	1.610	108.537	FT3
2026	215,000	4.000	1.820	109.764	FU0
2027	235,000	4.000	1.950	110.995	FV8
2028	255,000	4.000	2.090	111.872	FW6
2029	270,000	4.000	2.180	112.825	FX4
2030	295,000	4.000	2.230	113.534 ^(C)	FY2
2031	315,000	4.000	2.270	113.264 ^(C)	FZ9

\$2,400,000 4.000% Term Bond due September 1, 2037 – Yield 2.440%, Price: 112.128^(C), CUSIP[†]: 616865GA3

^(C) Priced to the optional redemption date of September 1, 2028 at a premium of 103%.

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**CITY OF MORENO VALLEY
COUNTY OF RIVERSIDE
STATE OF CALIFORNIA**

CITY COUNCIL

Dr. Yxstian A. Gutierrez, *Mayor*
[Vacant], *Council Member*
Edward A. Delgado, *Council Member*
David Marquez, *Council Member*
Ulises Cabrera, *Council Member*

CITY OFFICIALS

Mike Lee, *City Manager*
Steve Quintanilla, *Interim City Attorney*
Brian Mohan, *Assistant City Manager/Chief Financial Officer/City Treasurer*
Brooke McKinney, *Treasury Operations Division Manager*
Candace Cassel, *Special Districts Division Manager*
Pat Jacquez-Nares, *City Clerk*

SPECIAL SERVICES

Bond Counsel

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

Disclosure Counsel

Nixon Peabody, LLP
Los Angeles, California

Municipal Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Special Tax Consultant

Willdan Financial Services
Temecula, California

Trustee

Wilmington Trust, National Association
Costa Mesa, California

Escrow Agent

Computershare Trust Company, N.A.
Los Angeles, California

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

Except where otherwise indicated, all information contained in this Official Statement has been provided by the District and the City. No dealer, broker, salesperson or other person has been authorized by the District or the City to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the City. 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 contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The Underwriter has provided the following sentence for inclusion in this Official Statement:

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

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

The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described in this Official Statement to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement. In evaluating such statements, potential investors should specifically consider the various factors that could cause actual events or results to differ materially from those indicated by such forward-looking statements.

In connection with the offering of the Bonds, the Underwriter may overallocate or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and dealer banks and banks acting as agent and others at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and the Underwriter may change those public offering prices from time to time.

The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon an exemption contained in such act, and have not been registered or qualified under the securities laws of any state.

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

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\$4,795,000
COMMUNITY FACILITIES DISTRICT NO. 5
OF THE CITY OF MORENO VALLEY
SPECIAL TAX REFUNDING BONDS
SERIES 2021

INTRODUCTION

General

The purpose of this Official Statement, which includes the front cover page, the inside front cover page, the table of contents and the attached appendices (collectively, the “**Official Statement**”), is to provide certain information concerning the issuance of the \$4,795,000 Community Facilities District No. 5 of the City of Moreno Valley Special Tax Refunding Bonds, Series 2021 (the “**Bonds**”). The proceeds of the Bonds will be used: (i) to refund all of the Community Facilities District No. 5 of the City of Moreno Valley 2007 Special Tax Bonds (the “**2007 Bonds**”), which are currently outstanding in the aggregate principal amount of \$4,985,000; (ii) to fund a deposit to the Reserve Account; and (iii) to pay the costs of issuance of the Bonds. See the captions “THE REFUNDING PLAN,” “ESTIMATED SOURCES AND USES OF FUNDS” and “SOURCES OF PAYMENT FOR THE BONDS—Reserve Account of the Special Tax Fund.”

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the appendices, and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The sale and delivery of Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined have the meanings set forth in Appendix B.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the “**Act**”), and a Bond Indenture dated as of December 1, 2021 (the “**Indenture**”) by and between Community Facilities District No. 5 of the City of Moreno Valley (the “**District**”) and Wilmington Trust, National Association, as trustee (the “**Trustee**”).

The Bonds are secured under the Indenture by a pledge of and lien upon certain Net Taxes (as such term is defined in this Official Statement) and all moneys in the Special Tax Fund (other than the Administrative Expenses Account) as described under the Indenture.

The District

Formation Proceedings. The District was formed on October 25, 2005 by the City of Moreno Valley (the “**City**”) pursuant to the Act.

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

Pursuant to the Act, the City Council adopted the necessary resolutions stating its intent to establish the District, to authorize the levy of Special Taxes (as such term is defined in this Official Statement) on taxable property within the boundaries of the District, and to have the District incur bonded indebtedness. Following public hearings conducted pursuant to the provisions of the Act, the City Council adopted resolutions establishing the District and calling a special election to submit the levy of the Special Taxes and the incurring of bonded indebtedness to the qualified voters of the District.

On October 25, 2005, at an election held pursuant to the Act, the Stoneridge Centre Partners, L.P., a California limited partnership (the “**Developer**”) who was the sole landowner and qualified voter within the District, authorized the District to incur bonded indebtedness in the aggregate principal amount not to exceed \$10,000,000 and approved the rate and method of apportionment of the Special Taxes for the District (the “**Rate and Method**”) to pay the principal of and interest on the bonds of the District. See the caption “THE BONDS—Authority for Issuance.” The City Council of the City acts as the legislative body of the District.

The District consists of approximately 64.4 gross acres of which approximately 32.99 are net taxable acres and is located at the southeast corner of the intersection of State Route 60 and Nason Street in the City, and consists of the Stoneridge Towne Centre. **The portion of the Stoneridge Towne Centre owned and occupied by Target and Kohl’s is approximately 23.28 acres and is not subject to the Special Tax (as defined herein) lien of the District.** Accordingly, of the projected approximately 560,000 square feet of commercial retail space within the District, only approximately 288,000 square feet is projected to be subject to the levy of Special Taxes of the District.

As of September 1, 2021: (i) there are 25 commercial parcels that are taxed by acre, consisting of a total of approximately 32.99 acres and approximately 204,535 building square feet; and (ii) there are 6 undeveloped parcels, consisting of approximately 5.54 acres. The property owners within the District are referred to in this Official Statement as the “**Property Owners.**” See the caption “THE DISTRICT—General Description.”

Sources of Payment for the Bonds

Special Taxes. As used in this Official Statement, the term “**Special Taxes**” means the taxes authorized to be levied by the District on property within the District pursuant to the Act and in accordance with the Ordinance, the Resolution of Formation, the Act and the voter approval obtained at the October 25, 2005 election in the District, including any scheduled payments and any Prepayments (as such term is defined in the Indenture) of Special Taxes, and the net proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and penalties and interest on such Special Taxes. See the caption “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes” and Appendix A.

Under the Indenture, the District has pledged to repay the Bonds from: (i) the “**Net Taxes,**” which consist of the Special Taxes less amounts set aside to pay Administrative Expenses; and (ii) amounts in the Special Tax Fund (other than the Administrative Expenses Account) established under the Indenture.

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

Foreclosure Proceedings. The District has covenanted for the benefit of the Owners of the Bonds that it will: (i) commence judicial foreclosure proceedings against: (a) parcels with delinquent Special Taxes in excess of \$5,000 by the October 1 following the close of each fiscal year of the District ending June 30 (each, a “**Fiscal Year**”) in which such Special Taxes were due, and (b) 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 (ii) diligently pursue such foreclosure proceedings until the delinquent Special Taxes

are paid. See the caption “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—Proceeds of Foreclosure Sales.” There is no assurance that the property within the District can be sold for the assessed values described in this Official Statement, or for a price sufficient to pay the delinquent Special Taxes (plus related penalties and interest) in the event of a default in payment of Special Taxes by the current or future landowners within the District. See the caption “SPECIAL RISK FACTORS—Land Values.”

Neither the faith and credit nor the taxing power of the City, the State or any political subdivision of the State is pledged to the payment of the Bonds or any Parity Bonds (as such term is defined in this Official Statement). Except for the Net Taxes, no other taxes are pledged to the payment of the Bonds or any Parity Bonds. The Bonds and any Parity Bonds are neither general or special obligations of the City nor general obligations of the District, but are limited obligations of the District payable solely from certain amounts deposited by the District in the Special Tax Fund (exclusive of the Administrative Expenses Account), as more fully described in this Official Statement.

No Issuance of Parity Bonds Except for Refunding. The District may, without the consent of the Owners of the Bonds, issue additional indebtedness secured by the Net Taxes on a parity with the Bonds (“**Parity Bonds**”), but only for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then Outstanding. See the caption “SOURCES OF PAYMENT FOR THE BONDS—Issuance of Parity Bonds for Refunding.”

Other taxes and/or special assessments with liens that are equal in priority to the continuing lien of the Special Taxes have been levied as described under the caption “THE DISTRICT—Estimated Direct and Overlapping Indebtedness.” Additional other taxes and/or special assessments may also be levied in the future on the property within the District, which could adversely affect the willingness of the Property Owners to pay the Special Taxes when due. See the caption “SPECIAL RISK FACTORS—Parity Taxes and Special Assessments.”

Description of the Bonds

The Bonds will be issued and delivered as fully registered Bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“**DTC**”), and will be available to actual purchasers of the Bonds (the “**Beneficial Owners**”) in the integral multiples of \$5,000, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described in this Official Statement. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. In the event that the book-entry only system described in this Official Statement is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Indenture. See Appendix B.

Principal of, premium, if any, and interest on the Bonds is payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. In the event that the book-entry only system is no longer used with respect to the Bonds, the Beneficial Owners will become the registered owners of the Bonds and will be paid principal and interest by the Trustee, all as described in this Official Statement. See Appendix E.

The Bonds are subject to optional redemption, mandatory sinking fund redemption and extraordinary redemption from Special Tax Prepayments as described under the caption “THE BONDS—Redemption.” For a more complete description of the Bonds and the basic documentation pursuant to which they are being sold and delivered, see the caption “THE BONDS” and Appendix B.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California (“**Bond Counsel**”), under existing statutes, regulations, rulings and judicial decisions and assuming

compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See the caption “TAX EXEMPTION.”

Set forth in Appendix D is the form of opinion of Bond Counsel expected to be delivered in connection with the issuance of the Bonds. For a more complete discussion of such opinion and certain tax consequences incident to the ownership of the Bonds, see the caption “TAX EXEMPTION.”

Professionals Involved in the Offering

Wilmington Trust, National Association will act as Trustee under the Indenture. Willdan Financial Services has acted as Special Tax Consultant to the District. Stifel, Nicolaus & Company, Incorporated is the Underwriter of the Bonds. Certain proceedings in connection with the issuance and delivery of the Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Bond Counsel. Fieldman, Rolapp & Associates, Inc. is acting as Municipal Advisor to the District in connection with the Bonds. Certain legal matters will be passed on for the District by the City Attorney, for the Underwriter by Kutak Rock LLP, Irvine, California, and for the Trustee by its counsel. Other professional services have been performed by Nixon Peabody LLP, Los Angeles, California, as Disclosure Counsel.

For information concerning the respects in which certain of the above-mentioned professionals, advisors, counsel and agents may have a financial or other interest in the offering of the Bonds, see the caption “FINANCIAL INTERESTS.”

Continuing Disclosure

The District has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board certain annual financial information and operating data and notice of certain enumerated events. The District’s covenants have been made in order to assist the Underwriter in complying with the Securities and Exchange Commission’s Rule 15c2-12 (“**Rule 15c2-12**”). See the caption “CONTINUING DISCLOSURE” and Appendix C for a description of the specific nature of the annual reports and notices of enumerated events to be filed by the District.

Bond Owners’ Risks

Certain events could affect the timely repayment of the principal of and interest on the Bonds when due. See the caption “SPECIAL RISK FACTORS” for a discussion of certain factors that should be considered, in addition to other matters set forth in this Official Statement, in evaluating an investment in the Bonds. ***The purchase of the Bonds involves significant investment risks, and the Bonds are not suitable investments for many investors.***

Other Information

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

Brief descriptions of the Bonds and the Indenture are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references to the Indenture, the Bonds and the Constitution and laws of the State as well as the proceedings of the City Council, acting as the legislative body of the District, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the Bonds, by reference to the Indenture.

Copies of the Indenture, the Continuing Disclosure Agreement, the Escrow Agreement and other documents and information referred to in this Official Statement are available for inspection and (upon request and payment to the City of a charge for copying, mailing and handling) for delivery from the City at 14177 Frederick Street, Moreno Valley, California 92553, Attention: City Clerk.

THE REFUNDING PLAN

General

The 2007 Bonds were issued pursuant to a Fiscal Agent Agreement, dated as of May 1, 2007 (the “**2007 Fiscal Agent Agreement**”), by and between the District and Computershare Trust Company, N.A. (as successor to Wells Fargo Bank, National Association), as fiscal agent (the “**2007 Fiscal Agent**”). Concurrently with the issuance of the Bonds, the District will cause a portion of the proceeds of the sale of the Bonds to be deposited into an escrow fund (the “**Escrow Fund**”) established under the Escrow Agreement (2007 Bonds), dated as of December 1, 2021 (the “**Escrow Agreement**”), by and between the District and Computershare Trust Company, N.A., as escrow agent and as 2007 Fiscal Agent (the “**Escrow Agent**”), to be applied, together with moneys that are held in the funds and accounts established in connection with the 2007 Bonds, to the redemption of the 2007 Bonds on March 1, 2022.

Sufficiency of the deposits in the Escrow Fund for such purposes will be verified by Causey Demgen & Moore P.C., Denver, Colorado (the “**Verification Agent**”). Assuming the accuracy of such computations, as a result of the deposit and application of funds as provided in the Escrow Agreement, the 2007 Bonds will be defeased pursuant to the provisions of the 2007 Fiscal Agent Agreement as of the date of issuance of the Bonds.

The amounts held by the Escrow Agent in the Escrow Fund are pledged solely to the payment of the 2007 Bonds and will not be available for the payments on the Bonds.

Verification of Mathematical Computations

Upon the issuance of the Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to it by the Underwriter relating to: (a) the adequacy of the moneys deposited in the Escrow Fund to pay the redemption price of the 2007 Bonds; and (b) the computations of yield of the Bonds which support Bond Counsel’s opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes.

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Estimated Sources and Uses of Funds

The following table sets forth the expected sources and uses of Bond proceeds:

Sources of Funds

Principal Amount of Bonds	\$4,795,000.00
Plus Original Issue Premium	525,173.90
Plus Available Funds ⁽¹⁾	<u>550,467.17</u>
TOTAL SOURCES	<u>\$5,870,641.07</u>

Uses of Funds

Escrow Fund	\$5,109,437.50
Reserve Account	483,600.00
Costs of Issuance ⁽²⁾	<u>277,603.57</u>
TOTAL USES	<u>\$5,870,641.07</u>

⁽¹⁾ Reflects moneys held in funds and accounts established for the 2007 Bonds.

⁽²⁾ Includes fees and expenses for the Municipal Advisor, Bond Counsel, Disclosure Counsel, the Trustee, the Escrow Agent and the Verification Agent, printing costs, Underwriter's discount and other costs of delivery.

THE BONDS

General Provisions

The Bonds will be dated their date of delivery and will bear interest at the rates per annum set forth on the inside front cover page of this Official Statement, payable semiannually on March 1 and September 1 of each year, commencing March 1, 2022 (each, an “**Interest Payment Date**”), and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The Bonds will be issued in fully registered form in integral multiples of \$5,000.

Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of such Bond, unless: (i) such date of authentication is an Interest Payment Date, in which event interest will be payable from such date of authentication; (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication; or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest will be payable from the dated date of the Bonds; provided, however, that if at the time of authentication of a Bond, interest is in default, interest on such Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or, if no interest has been paid or made available for payment on such Bond, interest on such Bond will be payable from its dated date. The term “**Record Date**” is defined to mean the fifteenth day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day.

Interest on any Bond will be paid to the person whose name appears as its owner in the registration books held by the Trustee on the close of business on the Record Date. Interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, to the Owner at its address on the registration books. Pursuant to a written request prior to the Record Date of an Owner of at least \$1,000,000 in aggregate principal amount of Bonds, payment will be made by wire transfer in immediately available funds to a designated account in the United States.

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

Book-Entry Only System

The Bonds are issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in integral multiples of \$5,000. The Trustee will make payments due with respect to the Bonds to DTC but assumes no responsibility for DTC's disbursement of funds to its principals. See Appendix E.

Authority for Issuance

The Bonds are issued pursuant to the Act and the Indenture. As required by the Act, the City Council of the City has taken the following actions with respect to establishing the District and the Bonds:

Resolutions of Intention: On September 13, 2005, the City Council of the City adopted a resolution stating its intention to establish the District and to authorize the levy of special taxes.

Resolutions of Formation: On October 25, 2005 the City Council of the City, adopted resolutions which established the District, authorized the submittal of levy of special taxes within the District to qualified electors, and determined the necessity to incur bonded indebtedness within the District, in the amount not to exceed \$10,000,000.

Resolution Calling Election: The resolutions adopted by the City Council of the City on October 25, 2005 also called for an election by the landowners in the District for the same date on the issues of the levy of the Special Tax, the incurring of bonded indebtedness in the District, and the establishment of an appropriations limit.

Landowner Election and Declaration of Results: On October 25, 2005, an election was held at which the Developer, as the sole landowner and qualified voter within the District approved a ballot proposition authorizing the issuance of up to \$10,000,000 of bonds to finance the acquisition and construction of various public facilities, the levy of the Special Tax and the establishment of an appropriations limit for the District. On October 25, 2005, the City Council adopted a resolution approving the canvass of the votes and declaring the District to be fully formed with the authority to levy the Special Taxes, to incur the bonded indebtedness, and to have the established appropriations limit.

Special Tax Lien and Levy: A Notice of Special Tax Lien for the District was recorded in the real property records of the County on November 8, 2005, as a continuing lien against the property in the District. On November 8, 2005, the City Council of the City, acting as the legislative body of the District, enacted Ordinance No. 701 authorizing the levy of the Special Tax within the District. On June 26, 2006 a Notice of Cessation of Special Tax Lien with respect to the Target and Kohl's parcels was recorded in the real property records of the County.

Resolution Authorizing Issuance of the Bonds: On December 7, 2021, the City Council of the City, acting as legislative body of the District, adopted a resolution authorizing the issuance of the Bonds for the purpose of refunding the 2007 Bonds.

Redemption

Optional Redemption. The Bonds are subject to redemption, at the option of the District, from any source of funds in whole, or in part by lot, on any Interest Payment Date beginning on September 1, 2028 at the

following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the redemption date:

<i>Redemption Date</i>	<i>Redemption Price</i>
September 1, 2028 and March 1, 2029	103%
September 1, 2029 and March 1, 2030	102
September 1, 2030 and March 1, 2031	101
September 1, 2031 and any Interest Payment Date thereafter	100

Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, 2037 (the “**Term Bonds**”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account, on September 1, 2032, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The Term Bonds so called for redemption will be selected by the Trustee by lot and will be redeemed at a redemption price for each redeemed Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

TERM BONDS MATURING SEPTEMBER 1, 2037

<i>Redemption Date (September 1)</i>	<i>Principal Amount</i>
2032	\$335,000
2033	360,000
2034	385,000
2035	415,000
2036	440,000
2037 [†]	465,000

[†] Final Maturity.

If, during the Fiscal Year immediately preceding one of the redemption dates specified above, the District purchases Bonds, at least 45 days prior to the redemption date the District will notify the Trustee as to the principal amount purchased and the amount of Bonds so purchased will be credited at the time of purchase, to the extent of the full principal amount thereof, to reduce such upcoming Sinking Fund Payment for the Bonds so purchased. All Bonds purchased pursuant to the foregoing sentence will be cancelled pursuant to the Indenture.

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

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Extraordinary Redemption. The Bonds are subject to extraordinary redemption as a whole, or in part by lot, on any Interest Payment Date, and will be redeemed by the Trustee, from amounts paid by the District to the Trustee and designated by the District as a prepayment of Special Taxes for one or more parcels in the District made in accordance with the Rate and Method (“**Prepayments**”) deposited to the Redemption Account, plus amounts transferred from the Reserve Account, among maturities as directed in writing by the District, at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the redemption date:

<i>Redemption Date</i>	<i>Redemption Price</i>
Any Interest Payment Date from (and including) March 1, 2022 through (and including) March 1, 2029	103%
September 1, 2029 and March 1, 2030	102
September 1, 2030 and March 1, 2031	101
September 1, 2031 and any Interest Payment Date thereafter	100

See the caption “SPECIAL RISK FACTORS—Potential Early Redemption of Bonds from Prepayments” for a discussion of the potential for a lower than expected yield on the Bonds as a result of a special mandatory redemption from prepayment of Special Taxes.

Notice of Redemption. So long as the Bonds are held in book-entry form, notice of redemption will be mailed by the Trustee to DTC and not to the Beneficial Owners of the Bonds under the DTC book-entry only system. Neither the District nor the Trustee is responsible for notifying the Beneficial Owners, who are to be notified in accordance with the procedures in effect for the DTC book-entry system. See Appendix E.

The Trustee shall give notice, in the name of the District, of the redemption of Bonds; provided, however, that a notice of a redemption to be made from other than from Sinking Fund Payments will be conditioned on there being on deposit on the redemption date sufficient money to pay the redemption price of the Bonds to be redeemed. Such notice of redemption will: (a) specify the CUSIP numbers (if any) and the maturity date or dates of the Bonds selected for redemption; (b) state the date fixed for redemption and surrender of the Bonds to be redeemed; (c) state the redemption price; (d) state the place or places where the Bonds are to be redeemed; (e) in the case of Bonds to be redeemed only in part, state the portion of such Bond that is to be redeemed; (f) state the date of issue of the Bonds as originally issued; (g) state the rate of interest borne by each Bond being redeemed; and (h) state any other descriptive information needed to identify accurately the Bonds being redeemed as specified by the Trustee. Such notice will further state that on the date fixed for redemption, there will become due and payable on each Bond or portion thereof called for redemption, the principal thereof, together with any premium, and interest accrued to the redemption date, and that from and after such date, interest thereon will cease to accrue and be payable. At least 30 days but no more than 45 days prior to the redemption date, the Trustee will mail a copy of such notice, by first class mail, postage prepaid, to the respective Owners thereof at their addresses appearing on the Bond Register. The actual receipt by the Owner of any Bond or the original purchaser of any Bond of notice of such redemption is not a condition precedent to redemption, and neither the failure to receive nor any defect in such notice will affect the validity of the proceedings for the redemption of such Bonds, or the cessation of interest on the redemption date. A certificate by the Trustee that notice of such redemption has been given as provided in the Indenture will be conclusive as against all parties, and the Owner will not be entitled to show that he or she failed to receive notice of such redemption.

In addition to the foregoing notice, further notice will be given by the Trustee as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice will in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. In addition to providing any notice of redemption to the Owners, if the Bonds are held in book-entry form, each further notice of redemption will be sent not later than the date that notice of redemption is mailed to the Owners by electronic, registered or certified mail or overnight delivery service to the Depository and by electronic notice to the Municipal Securities Rulemaking Board.

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

With respect to any notice of optional redemption or extraordinary redemption of Bonds, such notice will state that such redemption will be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Bonds to be redeemed and that, if such moneys have not been so received, said notice will be of no force and effect and the Trustee will not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made, and the Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Registration, Transfer and Exchange

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

Transfer or Exchange. The registration of any Bond may, in accordance with its terms, be transferred upon the Bond registration books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Office of the Trustee, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee and duly executed by the Owner or his or her duly authorized attorney.

Bonds may be exchanged at the Principal Office of the Trustee for a like aggregate principal amount of Bonds for other authorized denominations of the same maturity and issue. The Trustee will not collect from the Owner any charge for any new Bond issued upon any exchange or transfer, but will require the Owner requesting such exchange or transfer to pay any tax or other governmental charge required to be paid with respect to such exchange or transfer. Whenever any Bonds are surrendered for registration of transfer or exchange, the District will execute and the Trustee will authenticate and deliver a new Bond or Bonds, as applicable, of the same issue and maturity, for a like aggregate principal amount; provided that the Trustee is not required to register transfers or make exchanges of: (a) Bonds for a period of 15 days next preceding any selection of the Bonds to be redeemed; or (b) any Bonds chosen for redemption.

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Debt Service Schedule

The following table presents the annual debt service on the Bonds (including sinking fund redemptions), assuming that there are no optional or extraordinary redemptions. See the caption “—Redemption.”

<i>Date (September 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2022	\$ 265,000.00	\$ 130,208.33	\$ 395,208.33
2023	165,000.00	179,550.00	344,550.00
2024	185,000.00	174,600.00	359,600.00
2025	195,000.00	167,200.00	362,200.00
2026	215,000.00	159,400.00	374,400.00
2027	235,000.00	150,800.00	385,800.00
2028	255,000.00	141,400.00	396,400.00
2029	270,000.00	131,200.00	401,200.00
2030	295,000.00	120,400.00	415,400.00
2031	315,000.00	108,600.00	423,600.00
2032	335,000.00	96,000.00	431,000.00
2033	360,000.00	82,600.00	442,600.00
2034	385,000.00	68,200.00	453,200.00
2035	415,000.00	52,800.00	467,800.00
2036	440,000.00	36,200.00	476,200.00
2037	<u>465,000.00</u>	<u>18,600.00</u>	<u>483,600.00</u>
Total	<u>\$4,795,000.00</u>	<u>\$1,817,758.33</u>	<u>\$6,612,758.33</u>

SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

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

The Net Taxes are the primary security for the repayment of the Bonds. Under the Indenture, the District has pledged to repay the Bonds and any Parity Bonds from the Net Taxes (which are Special Taxes less amounts set aside to pay Administrative Expenses (as such term is defined in Appendix B)). Special Tax revenues include the proceeds of the taxes authorized to be levied by the District on property within the District in accordance with the Ordinance, the Resolution of Formation, the Act and the voter approval obtained at the October 25, 2005 election in the District, including any scheduled payments and any Prepayments of Special Taxes, and the net proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and penalties and interest on such Special Taxes.

In the event that the Special Tax revenues are not received when due, the only sources of funds available to pay the debt service on the Bonds and any Parity Bonds are amounts held by the Trustee in the Special Tax Fund (other than the Administrative Expenses Account), including amounts held in the Reserve Account, for the exclusive benefit of the Owners of the Bonds and any Parity Bonds.

Neither the faith and credit nor the taxing power of the City, the State or any political subdivision of the State is pledged to the payment of the Bonds or any Parity Bonds. Except for the Net Taxes, no other taxes are pledged to the payment of the Bonds or any Parity Bonds. The Bonds and any Parity Bonds are neither general or special obligations of the City nor general obligations of the District, but are limited obligations of the District payable solely from certain amounts deposited by the District in the

Special Tax Fund (exclusive of the Administrative Expenses Account), as more fully described in this Official Statement.

Special Taxes

Authorization and Pledge. In accordance with the provisions of the Act, the City Council established the District on October 25, 2005 for the purpose of financing the acquisition, construction and installation of various public improvements required in connection with the proposed development within the District. At a special election held on October 25, 2005, the owners of the property within the District authorized the District to incur indebtedness in an amount not to exceed \$10 million, and approved the Rate and Method, which authorized the Special Tax to be levied to repay District indebtedness, including the Bonds.

The District has covenanted in the Indenture that, so long as any Bonds or Parity Bonds issued under the Indenture are Outstanding, the legislative body of the District will levy the Special Tax in an amount sufficient, together with other amounts on deposit in the Special Tax Fund and available for such purpose, to pay: (i) the principal of and interest on the Bonds and any Parity Bonds when due; (ii) the Administrative Expenses; and (iii) any amounts required to replenish the Reserve Account of the Special Tax Fund to the Reserve Requirement. The District has further covenanted in the Indenture that it will take no actions that would discontinue or cause the discontinuance of the Special Tax levy or the District's authority to levy the Special Tax for so long as the Bonds and any Parity Bonds are Outstanding. See the caption “—Special Taxes—Collection and Application of Special Taxes.”

The Special Taxes levied in any fiscal year may not exceed the maximum rates authorized pursuant to the Rate and Method. See Appendix A. There is no assurance that the Net Taxes will, in all circumstances, be sufficient to pay the principal of and interest on the Bonds and any Parity Bonds when due. See the caption “SPECIAL RISK FACTORS—Insufficiency of Special Taxes.”

Rate and Method of Apportionment of Special Taxes. The Special Taxes will be levied in accordance with the terms of the Rate and Method, the text of which is set forth in Appendix A. All capitalized terms used in this section shall have the meaning set forth in Appendix A. This section provides only a summary of the Rate and Method, and is qualified by more complete and detailed information contained in the entire Rate and Method.

The Rate and Method provides that for each Fiscal Year all parcels in the District not otherwise exempt are to be classified as either Developed Property or Undeveloped Property. “**Developed Property**” is defined as all Assessor's Parcels of Taxable Property for which a building permit for new construction was issued prior to March 1 of the prior Fiscal Year. “**Undeveloped Property**” is defined to include all Taxable Property not classified as Developed Property.

Under the Rate and Method, the Maximum Special Tax to be levied on each taxable parcel in the District classified as Developed Property or Undeveloped Property will be \$14,336.11 per acre for Fiscal Year 2021-22, and shall increase thereafter, on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the Maximum Annual Special Tax in effect in the previous Fiscal Year.

Commencing with Fiscal Year 2021-2022 and for each following Fiscal Year, the City Council shall levy the Special Tax until the amount of Special Taxes levied equals the Annual Special Tax Requirement. The Special Tax shall be levied for each Fiscal Year as follows:

First: The Special Tax shall be levied Proportionately on each Assessor's Parcels of Developed Property up to 100% of the Maximum Annual Special Tax; and

Second: If additional Special Taxes are needed to satisfy the Annual Special Tax Requirement, the Special Tax shall be levied Proportionately on each Assessor's Parcels of Undeveloped Property up to 100% of the applicable Maximum Annual Special Tax.

Prepayment of Special Taxes. The Special Tax obligation applicable to an Assessor's Parcel may be prepaid at any time and the obligation of such Assessor's Parcel to pay any Special Tax may be fully or partially satisfied as described herein. See APPENDIX A—"RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES" herein for a discussion of how the prepayment amount is calculated. No Special Tax prepayment shall be allowed unless the amount of Special Taxes, net of Administrative Expenses, that may be levied on Taxable Property within the District both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds. Tenders of Bonds in prepayment of Special Taxes may be accepted upon the terms and conditions established by the City Council pursuant to the Act. The Rate and Method provides that a property owner may prepay and satisfy the Special Tax obligation of an Assessor's Parcel in whole only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment.

In the event that a prepayment of Special Taxes occurs in the future, the net proceeds of such prepayment will be applied to effect a mandatory redemption of the Bonds. See "THE BONDS—Redemption" herein.

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

The District has made certain covenants in the Indenture for the purpose of ensuring that the current Maximum Special Tax rate and method of collection of the Special Taxes are not altered in a manner that would impair the District's ability to collect sufficient Special Taxes to pay debt service on the Bonds, any Parity Bonds and Administrative Expenses when due. First, the City has covenanted that, to the extent it is legally permitted to do so, it will not reduce the Maximum Special Tax rates on then existing Developed Property in the District below the amounts which are necessary to provide Special Tax Revenues. Second, the City has covenanted that in the event that any initiative is adopted by the qualified electors in the District which purports to reduce or otherwise alter the Maximum Special Taxes, it will commence and pursue legal action seeking to preserve its ability to comply with its covenant contained in the preceding sentence.

See the captions "SPECIAL RISK FACTORS—Proposition 218" and "SPECIAL RISK FACTORS—Non-Cash Payments of Special Taxes."

Although the Special Taxes constitute liens on taxable parcels within the District, they do not constitute a personal indebtedness of the owners of property within the District. Moreover, other liens for taxes and assessments already exist on the property located within the District and others could come into existence in the future in certain situations without the consent or knowledge of the City, the District or the Property Owners. See the captions "SPECIAL RISK FACTORS—Parity Taxes and Special Assessments."

Under the terms of the Indenture, all Special Tax revenues received by the District are to be deposited in the Special Tax Fund. Special Tax revenues deposited in the Special Tax Fund each Fiscal Year are to be applied by the Trustee under the Indenture in the following order of priority: (i) to deposit an amount in the Administrative Expense Fund to pay Administrative Expenses (although a greater amount may be deposited in the Administrative Expense Fund if necessary to collect Delinquent Special Taxes); (ii) to deposit an amount in the Interest Account; (iii) to deposit an amount in the Principal Account; (iv) to deposit an amount in the Redemption Account; (v) to deposit an amount in the Reserve Account; (vi) to deposit an amount in the Rebate Fund; and (vii) to deposit an amount in the Surplus Fund which may be used for any lawful purpose of the District. See Appendix B.

Debt Service Coverage from Net Special Taxes. The table below shows the estimated debt service coverage on the Bonds.

**TABLE 1
ESTIMATED DEBT SERVICE COVERAGE
COMMUNITY FACILITIES DISTRICT NO. 5
OF THE CITY OF MORENO VALLEY**

<i>Bond Year Ending September 1</i>	<i>Maximum Special Tax Revenues</i>	<i>Annual Administrative Expenses⁽¹⁾</i>	<i>Net Maximum Annual Special Tax Revenues</i>	<i>Bond Debt Service</i>	<i>Debt Service Coverage</i>
2022	\$472,948.04	\$55,200.00	\$417,748.04	\$395,208.33	105.70%
2023	482,407.00	56,304.00	426,103.00	344,550.00	123.67
2024	492,055.14	57,430.08	434,625.06	359,600.00	120.86
2025	501,896.24	58,578.68	443,317.56	362,200.00	122.40
2026	511,934.17	59,750.26	452,183.91	374,400.00	120.78
2027	522,172.85	60,945.26	461,227.59	385,800.00	119.55
2028	532,616.31	62,164.17	470,452.14	396,400.00	118.68
2029	543,268.64	63,407.45	479,861.19	401,200.00	119.61
2030	554,134.01	64,675.60	489,458.41	415,400.00	117.83
2031	565,216.69	65,969.11	499,247.58	423,600.00	117.86
2032	576,521.02	67,288.49	509,232.53	431,000.00	118.15
2033	588,051.44	68,634.26	519,417.18	442,600.00	117.36
2034	599,812.47	70,006.95	529,805.52	453,200.00	116.90
2035	611,808.72	71,407.09	540,401.63	467,800.00	115.52
2036	624,044.89	72,835.23	551,209.67	476,200.00	115.75
2037	636,525.79	74,291.93	562,233.86	483,600.00	116.26

⁽¹⁾ Administrative Expenses are estimated to increase 2% annually.

Sources: Willdan Financial Services (Special Tax information); Stifel, Nicolaus & Company, Incorporated (debt service information).

Covenant to Foreclose; Proceeds of Foreclosure Sales. The net proceeds received following a judicial foreclosure sale of land within the District resulting from a Property Owner’s failure to pay the Special Taxes when due are included within the Net Taxes pledged to the payment of principal of and interest on the Bonds under the Indenture.

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax or receipt by the District of Special Taxes in an amount which is less than the Special Tax levied, the City Council, as the legislative body of the District, may order that Special Taxes be collected by a superior court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory. However, the District has covenanted for the benefit of the Owners of the Bonds and any Parity Bonds that it will: (i) commence judicial foreclosure proceedings against: (a) parcels with delinquent Special Taxes in excess of \$5,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due, and (b) 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 (ii) diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid.

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

If foreclosure is necessary and other funds (including amounts in the Reserve Account) have been exhausted, debt service payments on the Bonds could be delayed until the foreclosure proceedings have ended with the receipt of any foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the City and the District. See the captions “SPECIAL RISK FACTORS—Bankruptcy and Foreclosure” and “SPECIAL RISK FACTORS—FDIC/Federal Government Interests in Properties.”

Moreover, no assurances can be given that the real property that is subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See the caption “SPECIAL RISK FACTORS—Land Values.” Although the Act authorizes the District to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the District or the City any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale. Moreover, if the District chooses to purchase the property sold at foreclosure using a “credit bid” (where the District submits a bid crediting all or part of the amount required to satisfy the judgment for the delinquent amount of the Special Tax), as permitted under Section 53356.5 of the Act, the District must pay the amount of its credit bid into the redemption fund established for the Bonds, but this payment may be made up to 24 months after the date of the foreclosure sale. The Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for *ad valorem* taxes. See the caption “SPECIAL RISK FACTORS—Parity Taxes and Special Assessments.”

Because the County has not elected to follow the procedures of the “**Teeter Plan**” (which is the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds, as provided for in Section 4701 *et seq.* of the Revenue and Taxation Code of the State of California) with respect to special taxes, collections of Special Taxes will reflect actual delinquencies.

Reserve Account of the Special Tax Fund

In order to secure further the payment of principal of and interest on the Bonds and any Parity Bonds, the District will maintain in the Reserve Account an amount equal to the least of: (a) Maximum Annual Debt Service (as such term is defined in Appendix B) on the Bonds and any Parity Bonds; (b) 125% of average Annual Debt Service (as such term is defined in Appendix B) on the then-Outstanding Bonds and any Parity Bonds; or (c) 10% of the initial outstanding principal amount of the Bonds and any Parity Bonds (the “**Reserve Requirement**”). The initial Reserve Requirement is \$483,600.00. The Reserve Account shall not exceed the initial Reserve Requirement.

Moneys in the Reserve Account will be used solely for the purpose of paying the principal of, including Sinking Fund Payments, and interest on the Bonds and any Parity Bonds when due in the event that the moneys in the Interest Account and the Principal Account of the Special Tax Fund are insufficient or moneys in the Redemption Account of the Special Tax Fund are insufficient to make a Sinking Fund Payment when due, and for the purpose of making any required transfer to the Rebate Fund pursuant to the Indenture upon written direction from the District. If the amounts in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund are insufficient to pay the principal of, including Sinking Fund Payments, or interest on any Bonds and Parity Bonds when due, or amounts in the Special Tax Fund are insufficient to make transfers to the Rebate Fund when required, the Trustee will withdraw from the Reserve Account for deposit in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund or the Rebate Fund, as applicable, moneys necessary for such purposes.

Whenever moneys are withdrawn from the Reserve Account, after making the required transfers to the Administrative Expenses Account, the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund, the Trustee will transfer to the Reserve Account from available moneys in the Special Tax Fund, or from any other legally available funds that the District elects to apply to such purpose, the amount needed to restore the amount of such Reserve Account to the Reserve Requirement. Moneys in the Special Tax Fund will be deemed available for transfer to the Reserve Account only if the Trustee determines that such amounts will not be needed to make the deposits required to be made to the Administrative Expenses Account, the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund on or before the next September 1. If amounts in the Special Tax Fund, together with any other amounts transferred to replenish the Reserve Account, are inadequate to restore the Reserve Account to the Reserve Requirement, then the District will include the amount necessary fully to restore the Reserve Account to the Reserve Requirement in the next annual Special Tax levy to the extent of the maximum permitted Special Tax rates.

In connection with an optional redemption of Bonds or Parity Bonds, an extraordinary redemption of Bonds or Parity Bonds from Prepayments or a partial defeasance of Bonds or Parity Bonds, amounts in the Reserve Account may be applied to such redemption or partial defeasance so long as the amount on deposit in the Reserve Account following such redemption or partial defeasance equals the Reserve Requirement. The District will set forth in a Certificate of an Authorized Representative the amount in the Reserve Account to be transferred to the Redemption Account on a redemption date or to be transferred to partially defease Bonds, and the Trustee will make such transfer on the applicable redemption or defeasance date, subject to the limitation in the preceding sentence.

To the extent that the Reserve Account is at the Reserve Requirement as of the first day of the final Bond Year for the Bonds or an issue of Parity Bonds, amounts in the Reserve Account may be applied to pay the principal of and interest due on the Bonds and Parity Bonds, as applicable, in the final Bond Year for such issue. Moneys in the Reserve Account in excess of the Reserve Requirement that are not transferred in accordance with the preceding provisions will be withdrawn from the Reserve Account on the Business Day before each March 1 and September 1 and transferred to the Interest Account of the Special Tax Fund.

The Reserve Requirement may be satisfied in whole or part by the deposit of a reserve fund surety policy or similar instrument therein.

No Issuance of Parity Bonds Except for Refunding

Subject to the limitations set forth in the Indenture, the District may, at any time after the issuance and delivery of the Bonds, and without the consent of the Owners of the Bonds, issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund (other than in the Administrative Expenses Account therein) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued pursuant to the Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be issued for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then Outstanding. See Appendix B under the caption “DEFEASANCE AND PARITY BONDS—Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness” for the conditions that must be met in order for the District to issue Parity Bonds.

No Acceleration

The principal of and interest on the Bonds are not subject to acceleration under the Indenture in the event of a default relating to the Bonds. See Appendix B under the caption “EVENTS OF DEFAULT; REMEDIES—Remedies of Owners” for a description of remedies that are available to the Bond Owner if the District defaults under the Indenture.

THE DISTRICT

General Description

The City encompasses approximately 49 square miles of land area in western Riverside County. The City is immediately east of the City of Riverside, 66 miles east of the City of Los Angeles, 48 miles northeast of the City of Irvine and 100 miles north of the City of San Diego. Geographically, the City is bordered by three low-lying mountain ranges, March Air Reserve Base and Lake Perris State Park. The City is situated at the junction of two major highways, California State Highway 60 (the Moreno Valley Freeway) and Interstate 215.

The District consists of approximately 64.4 gross acres of which approximately 32.99 are net taxable acres and is located at the southeast corner of the intersection of State Route 60 and Nason Street in the City, and consists of the Stoneridge Towne Centre. **The portion of the Stoneridge Towne Centre owned and occupied by Target and Kohl's is approximately 23.28 acres and is not subject to the Special Tax (as defined herein) lien of the District.** Accordingly, of the projected approximately 560,000 square feet of commercial retail space within the District, only approximately 288,000 square feet is projected to be subject to the levy of Special Taxes of the District.

As of September 1, 2021 there are 25 commercial parcels that are taxed by acre, consisting of a total of approximately 32.99 acres and approximately 207,311 building square feet and 6 undeveloped parcels, consisting of approximately 5.54 acres.

Development Status and Estimated Value-to-Lien Ratio

Under the Rate and Method, all Taxable Property in the District will be classified as Developed Property (property for which a building permit has been issued) or Undeveloped Property (property for which a building permit has not been issued) and will be subject to a Special Tax levy at the maximum rates described in Section C of the Rate and Method. As shown below, based on development status as of September 1, 2021, approximately 87.15% of the Fiscal Year 2021-22 Special levy was on Developed Property.

The assessed value net of exemptions of the land within the District for Fiscal Year 2021-22 is \$60,457,800. Dividing this assessed value by the \$4,795,000 principal amount of the Bonds results in an assessed value-to-lien ratio of approximately 12.61 to 1. When the \$1,201,906 amount of additional overlapping debt that is payable from taxes levied on the property within the District (as set forth under the caption “— Estimated Direct and Overlapping Indebtedness”) is included in the calculation, the value-to-lien ratio is approximately 10.08 to 1. The table below summarizes the development status of the property and the value-to-lien ratio for each of the parcels.

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TABLE 2
ESTIMATED FISCAL YEAR 2021-22 ASSESSED VALUE-TO-LIEN RATIO
COMMUNITY FACILITIES DISTRICT NO. 5 OF THE CITY OF MORENO VALLEY

<i>Assessor's Parcel Number</i>	<i>Property Owner</i>	<i>Development Status</i>	<i>Total Assessed Value</i>	<i>FY 2021/22 Maximum Special Tax</i>	<i>FY 2021/22 Actual Levied Special Tax ⁽¹⁾</i>	<i>Bonded Indebtedness ⁽²⁾</i>	<i>Value-to-Lien Ratio</i>
488-400-002	LEDGER WILLIAM DEAN TRUST DTD 9/25/87	Developed	\$ 998,618.00	\$ 9,461.82	\$ 9,461.82	\$ 95,928.99	10.41:1
488-400-008	MCA STONERIDGE LLC ⁽³⁾	Undeveloped	330,811.00	8,458.30	6,185.50	85,754.77	3.86:1
488-400-009	MCA STONERIDGE ⁽⁴⁾	Developed	4,153,184.00	27,381.96	27,381.96	277,612.94	14.96:1
488-400-010	MCA STONERIDGE ⁽⁴⁾	Developed	3,562,670.00	21,934.24	21,934.24	222,381.05	16.02:1
488-400-011	JP MORGAN CHASE BANK	Developed	430,981.00	5,304.36	5,304.36	53,778.44	8.01:1
488-400-012	KALMS	Developed	446,749.00	10,321.98	10,321.98	104,649.75	4.27:1
488-400-014	JP MORGAN CHASE BANK	Developed	2,522,827.00	4,444.18	4,444.18	45,057.47	55.99:1
488-400-015	KALMS	Developed	2,312,591.00	3,727.38	3,727.38	37,790.17	61.20:1
488-400-016	CTI INV	Developed	3,400,000.00	19,497.10	19,497.10	197,672.02	17.20:1
488-400-017	J&R HOCK ENTERPRISES INC	Developed	1,832,020.00	11,325.52	11,325.52	114,824.17	15.96:1
488-400-018	TASH GEORGE	Developed	2,766,700.00	8,314.94	8,314.94	84,301.31	32.82:1
488-400-019	YOUNG SUPATTRA LIVING TRUST DATED 6/19/2001	Developed	2,325,000.00	15,196.26	15,196.26	154,067.81	15.09:1
488-400-020	LIANG TEH SHAN	Developed	998,619.00	13,189.22	13,189.22	133,719.36	7.47:1
488-400-021	MCA STONERIDGE	Developed	6,562,650.00	76,124.74	76,124.74	771,793.30	8.50:1
488-400-022	MCA STONERIDGE ⁽⁵⁾	Undeveloped	455,510.00	11,182.16	8,177.44	113,370.71	4.02:1
488-400-023	CALIFORNIA GOLD MORENO VALLEY	Developed	7,022,431.00	34,980.10	34,980.10	354,646.95	19.80:1
488-400-024	MCA STONERIDGE	Undeveloped	833,728.00	20,500.62	14,992.00	207,846.24	4.01:1
488-400-025	27150 EUCALYPTUS AVE	Developed	1,156,295.00	7,454.76	7,454.76	75,580.34	15.30:1
488-400-026	MCA STONERIDGE ⁽⁴⁾	Developed	4,570,969.00	27,095.24	27,095.24	274,706.02	16.64:1
488-400-027	MCA STONERIDGE LLC ⁽⁶⁾	Developed	37,098.00	860.16	860.16	8,720.76	4.25:1
488-400-028	MCA STONERIDGE	Developed	3,318,425.00	26,808.52	26,808.52	271,799.10	12.21:1
488-400-040	BOYLAND PROP MORENO VALLEY	Developed	10,128,104.00	70,103.56	70,103.56	710,747.36	14.25:1
488-400-041	STONERIDGE PHASE II LAND ⁽⁷⁾	Undeveloped	111,120.00	12,615.76	9,225.84	127,905.32	0.87:1
488-400-042	STONERIDGE PHASE II LAND ⁽⁷⁾	Undeveloped	62,706.00	13,332.58	9,750.04	135,172.82	0.46:1
488-400-043	STONERIDGE PHASE II LAND ⁽⁷⁾	Undeveloped	117,994.00	13,332.58	9,750.04	135,172.82	0.87:1
TOTAL			\$60,457,800.00	\$472,948.04	\$451,606.90	\$4,795,000.00	12.61:1

⁽¹⁾ Developed parcels are levied up to 100% of the Maximum Special Tax then, if additional monies are needed, Undeveloped parcels are levied proportionally up to the Maximum Special Tax.

⁽²⁾ Allocated based on Fiscal Year 2021-22 Maximum Special Tax amounts.

⁽³⁾ MCA was in escrow with a developer for a Popeye's franchise on this parcel. Escrow closed in October 2021.

⁽⁴⁾ MCA sold this parcel in November 2021. Parcel is under new ownership.

⁽⁵⁾ MCA currently in escrow with a developer for a Jiffy Lube on this parcel. Closing is expected in January 2022.

⁽⁶⁾ MCA sold this parcel to the developer of the Popeye's franchise in October 2021.

⁽⁷⁾ The property owners of these parcels were the original landowners at District formation.

Source: FY 2021/22 Riverside County Secured Property Tax Roll as compiled by Willdan Financial Services. The information with respect to property owned by MCA has been provided by a representative of MCA and has not been independently confirmed or verified by the Underwriter, the City or the District. The Underwriter, the City and the District make no representation as to the accuracy or adequacy of such information.

Current Lease Status

The table below provides information regarding the current tenants and lease status for each of the parcels.

**TABLE 3
LEASE STATUS
COMMUNITY FACILITIES DISTRICT NO. 5 OF THE CITY OF MORENO VALLEY**

<i>Assessor's Parcel Number</i>	<i>Tenant</i>	<i>Size (In Square Feet)</i>	<i>Initial Lease Term (In Years)/ Leased Information</i>
488-400-002	Hot Tubs	7,361	Not available.
488-400-008	Popeye's	4,000	Not available.
488-400-009	Verizon	2,500	1-year lease, beginning August 2007. Option of (3x) 5 years.
	China One Restaurant	1,600	5-year lease, beginning November 2012.
	Supercuts	1,102	5-year lease, beginning April 2008. Renewed through March 2023.
	See's Candies	1,211	5-year lease, beginning April 2008. Renewed through February 2022.
	Massage Envy	3,690	10-year lease, beginning April 2016. Option of (2x) 5 years.
	Hear USA	1,280	5-year lease, beginning February 2014. Option of (1x) 2 years. Recently renewed for 5 years.
	UPS	1,492	10-year lease, beginning November 2019. Option of (1x) 5 years.
488-400-010	Focus Vision	1,131	15-year lease, beginning May 2021. Option of (2x) 5 years.
	Albertos Taco Shop	2,257	10-year lease, beginning April 2013. Option of (1x) 5 years.
	Pacific Dental Services	3,500	10-year lease, beginning November 2007. Option of (2x) 5 years. Recently renewed for 10 years.
	ShareTea	1,267	10-year lease, beginning August 2021.
	Elegant Nail Spa	1,900	5-year lease, beginning December 2013. Option of (1x) 5 years. Recently renewed through December 2028.
	Poki-Licious	1,700	5-year lease, beginning January 2018. Option of (1x) 3 years.
488-400-011	Sonnier Beauty Supply	1,173	5-year lease, beginning January 2020. Option of (1x) 5 years.
	Parking lot	N/A	Not available.
488-400-012	Parking lot	N/A	Not available.
488-400-014	Chase Bank	4,127	Not available.
488-400-015	Chili's	5,924	20-year lease, beginning December 2007. Option of (4x) 5 years.
488-400-016	Chevron	3,000	25-year lease, beginning December 2007. Option of (3x) 5 years.
488-400-017	Taco Bell	5,200	Not available.
488-400-018	US Bank	3,600	Not available.

<i>Assessor's Parcel Number</i>	<i>Tenant</i>	<i>Size (In Square Feet)</i>	<i>Initial Lease Term (In Years)/ Leased Information</i>
488-400-019	Jack in the Box	3,500	20-year lease, beginning December 2007. Option of (2x) 5 years.
488-400-020	Kirkland's	7,000	Not available.
488-400-021	BestBuy Outlet	45,622	Original tenant vacated 5/12/12; current tenant signed a lease amendment effective through 6/30/23.
	William Sonoma/West Elm Outlet	17,964	1 Year, lease extended in December 2020 through January 2022. Recently renewed through January 2023.
488-400-022	Undeveloped	5,000	Not available.
488-400-023	Tractor Supply	19,000	MCA sold parcel to California Gold on March 27, 2020. The Tractor Supply store opened in September 2020.
488-400-024 ⁽¹⁾	Undeveloped	6,000	Not available.
488-400-025	H&R Block	1,100	Not available.
488-400-026	Audeo Charter School	2,674	5-year lease, beginning June 2012. Recently renewed through June 30, 2027.
	Burgerim	1,300	10-year lease, beginning October 2019. Option of (2x) 5 years.
	Audeo Charter School	2,143	5-year lease, beginning May 2019. Recently renewed through June 30, 2027.
	Visterra Credit Union	3,995	10-year lease, beginning December 2007. Option of (3x) 5 years. Recently renewed for 10 years through March 2031.
	T-Mobile	2,002	5-year lease, beginning December 2007. Option of (2x) 5 years. Recently renewed for 5 years.
	Menchie's	1,689	5- year lease, beginning December 2015. Option of (1x) 5 years. Recently renewed for 5 years.
488-400-027	Parking lot		Not available.
488-400-028	Round Table Pizza	3,807	10-year lease, beginning November 2007. Recently renewed through November 2027.
	Available	5,710	Not available.
	Available	4,441	Not available.
488-400-040	Hyundai	22,466	Not available.
488-400-041	Undeveloped	N/A	Not available.
488-400-042	Undeveloped	N/A	Not available.
488-400-043	Undeveloped	N/A	Not available.

⁽¹⁾ MCA has received a signed letter of intent for a ground lease for a Mister Car Wash on this parcel. A signed lease is expected in early 2022. Source: MCA's Continuing Disclosure Developer Semiannual Report, September 1, 2021 and the City. The information with respect to property owned by MCA has been provided by a representative of MCA and has not been independently confirmed or verified by the Underwriter, the City or the District. The Underwriter, the City and the District make no representation as to the accuracy or adequacy of such information.

Estimated Direct and Overlapping Indebtedness

Numerous local agencies provide public services within the District’s boundaries. Some of these local agencies have outstanding general obligation bonds that are secured by taxes on the parcels within the District and others have authorized but unissued general obligation bonds that, if issued, will be secured by taxes levied on parcels within the District. The approximate amount of the direct and overlapping debt secured by such taxes and assessments on the parcels within the District for Fiscal Year 2021-22 is shown in the table below. Increases in assessed valuations in the District relative to assessed valuations in the overlapping jurisdiction can increase the *ad valorem* tax levy on District parcels; similarly, a decrease in assessed valuations in the District relative to assessed valuations in the overlapping jurisdiction can decrease the *ad valorem* tax levy on District parcels.

**TABLE 4
DIRECT AND OVERLAPPING DEBT
COMMUNITY FACILITIES DISTRICT NO. 5 OF THE CITY OF MORENO VALLEY**

2021-22 Local Secured Assessed Valuation: \$60,457,800

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 9/1/21</u>
Metropolitan Water District	0.002%	\$ 475
Riverside County Flood Control and Water Conservation District Zone No. 4	0.094	7,390 ⁽¹⁾
Riverside City Community College District	0.170	511,017
Moreno Valley Unified School District	0.324	683,024
City of Moreno Valley Community Facilities District No. 5	100.	<u>4,795,000</u> ⁽²⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$5,996,906
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	0.018%	\$129,637
Riverside County Pension Obligation Bonds	0.018	159,296
Moreno Valley Unified School District Certificates of Participation	0.324	22,779
City of Moreno Valley General Fund Obligations	0.311	<u>232,664</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$544,376
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>		\$552,281
 COMBINED TOTAL DEBT		\$7,093,563 ⁽³⁾

Ratios to 2021-22 Assessed Valuation:

Direct Debt (\$4,795,000)	7.93%
Total Direct and Overlapping Tax and Assessment Debt	9.92%
Combined Total Debt.....	11.73%

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

⁽²⁾ Issue to be sold.

⁽³⁾ Excludes tax and revenue anticipation notes, enterprises revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

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Historical Assessed Values

The table below sets forth a summary of historical assessed values in the District. In the event of successful property tax appeals in the future, reduced assessed values would not affect the amount of Special Taxes that can be levied under the Rate and Method but may alter the amount of overlapping general obligation bond tax levies. The District is not aware of any other pending or successful property tax appeals within the District.

TABLE 5
SUMMARY OF HISTORICAL ASSESSED VALUES
COMMUNITY FACILITIES DISTRICT NO. 5 OF THE CITY OF MORENO VALLEY

<i>Fiscal Year</i>	<i>Land Assessed Value</i>	<i>Assessed Structure Value</i>	<i>Total Assessed Value</i>
2017-18	\$10,460,651	\$32,429,284	\$ 42,889,935
2018-19	10,882,851	37,744,861	48,627,712
2019-20	18,134,518	34,918,209	53,052,727
2020-21	18,645,002	35,702,522	54,347,524
2021-22	18,590,765 ⁽¹⁾	41,867,035	60,457,800

⁽¹⁾ Two parcels within the District were sold in 2020 at a purchase price below their assessed value as of the date of purchase.
Source: Riverside County Secured Property Tax Roll as compiled by Willdan Financial Services.

Delinquency History

Under the provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, will be billed to the Property Owners on their regular property tax bills. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Special Tax installment payments cannot generally be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax installment payments in the future. See the caption “SPECIAL RISK FACTORS—Special Tax Delinquencies.”

There have been no delinquencies within the District within the past five fiscal years.

See the caption “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—Covenant to Foreclose; Proceeds of Foreclosure Sales” for a discussion of the provisions that apply, and procedures that the District is obligated to follow, in the event of delinquency in the payment of Special Tax installments.

SPECIAL RISK FACTORS

The following is a discussion of certain risk factors that should be considered, in addition to other matters set forth in this Official Statement, in evaluating the investment quality of the Bonds. This discussion does not purport to be comprehensive or definitive. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. The occurrence of one or more events discussed below could adversely affect the value of the property in the District. Moreover, the occurrence of one or more of the events discussed below could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Such a failure to pay Special Taxes could result in the inability of the District to make full and punctual payments on the Bonds.

Concentration of Ownership

The District has a significant concentration of ownership. As of September 1, 2021, there were 25 parcels in the District, several of which are owned by a single Property Owner, MCA Stoneridge, LLC (“MCA”). MCA is responsible for approximately 46.41% of the estimated Fiscal Year 2021-22 Special Tax, and the other Property Owners are collectively responsible for approximately 53.59% of the estimated Fiscal Year 2021-22 Special Tax levy. See the caption “THE DISTRICT—Property Ownership.” Failure of the Property Owners, or any successor, to pay the annual Special Taxes when due could result in a default in payments of the principal of, and interest on, the Bonds, when due.

None of the Property Owners is obligated in any manner to continue to own, or to develop, any of such property. The Special Taxes are not a personal obligation of the owners of the property on which such Special Taxes are levied, and no assurances can be given that the current Property Owners within the District will be financially able to pay the Special Taxes levied on such property or that they will choose to pay even if financially able to do so. See the caption “—Payment of the Special Tax is Not a Personal Obligation of the Owners.” Such risk is greater and its consequence more severe when ownership is concentrated and may be expected to decrease when ownership is diversified.

Limited Obligations

The Bonds are revenue bonds, payable exclusively from Net Taxes and other funds provided in the Indenture. The Bonds are not payable from the general fund or other moneys of the City or moneys derived from the District. Except with respect to the Net Taxes from the District, neither the credit nor the taxing power of the District or the City is pledged for the payment of the Bonds or the interest on the Bonds, and, except as provided in the Indenture, no Owner of the Bonds may compel the exercise of any taxing power by the District or the City or force the forfeiture of any City or District property. The principal of, premium, if any, and interest on the Bonds are not a debt of the City or a legal or equitable pledge, charge, lien or encumbrance upon any of the City’s or the District’s property or upon any of the City’s or the District’s income, receipts or revenues, except the Net Taxes and other amounts pledged under the Indenture. See the caption “SOURCES OF PAYMENT FOR THE BONDS—Limited Obligations.”

Insufficiency of Special Taxes

Based on current projections, the Maximum Special Taxes that may be levied within the District exceed Maximum Annual Debt Service on the Bonds plus the Fiscal Year 2021-22 Administrative Expenses amount. See the caption “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—Debt Service Coverage from Net Special Taxes.” Notwithstanding the fact that the Maximum Special Taxes that may be levied in the District exceed debt service on the Bonds, the Special Taxes that are actually collected could be inadequate to make timely payment of debt service either because of nonpayment or, as described under the caption “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—Rate and Method of Apportionment of Special Taxes,” because property becomes exempt from taxation.

The Special Taxes will be billed to the properties within the District on the *ad valorem* property tax bills sent to owners of such properties. The Act 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. Significant delinquencies in the payment of Special Tax installments, or delays in the prosecution of foreclosure proceedings to collect such Special Taxes, could result in depletion of the Reserve Account and a default in the payment of the Bonds. See the caption “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—Covenant to Foreclose; Proceeds of Foreclosure Sales” for a discussion of the provisions that apply, and the procedures that the District has covenanted to follow, in the event of delinquencies in the payment of Special Taxes. See the captions “—FDIC/Federal Government Interests in Properties” and “—Bankruptcy and Foreclosure” for a discussion of the policy of the Federal Deposit Insurance Corporation (the “FDIC”) regarding the payment of

special taxes and assessments and limitations on the District's ability to foreclose on the lien of the Special Taxes in certain circumstances.

The annual levy of the Special Tax is subject to the maximum authorized tax rates. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the Bonds. Other funds that might be available include moneys and reserve fund surety policies or similar instruments deposited in the Reserve Account, funds derived from the payment of penalties on delinquent Special Taxes and funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Special Tax are delinquent.

The levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular property and the amount of the levy of the Special Tax against such property. Thus, there will rarely, if ever, be a uniform relationship between the value of such property and the proportionate share of debt service on the Bonds, and certainly not a direct relationship.

The Act provides that if any property within the District that is not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Taxes will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that if property that is 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 such property is to be treated as if it were a special assessment and paid from the eminent domain award. The constitutionality and operative effect of these provisions has not been tested in the courts.

If for any reason property that is subject to the Special Tax becomes exempt from taxation by reason of ownership by a nontaxable entity such as the federal government, or another public agency that asserts immunity from the Special Tax, subject to the limitation of the Maximum Special Tax rates, the Special Taxes will be reallocated to the remaining properties within the District. This would cause the owners or tenants of such properties to pay a greater amount of the Special Tax and could have an adverse effect on the timely payment of the Special Tax. Because of the problems that are associated with collecting taxes from public agencies, if a substantial portion of land within the District were to become owned by public agencies, collection of the Special Tax might become more difficult and could result in collections of the Special Tax that might not be sufficient to pay principal of and interest on the Bonds when due, and a default could occur with respect to the payment of such principal and interest.

Failure to Develop Properties

Approximately 12.86% of the Fiscal Year 2021-22 Special Tax levy within the District has been levied on Undeveloped Property. Unimproved or partially improved land is inherently less valuable than land with improvements on it, especially if there are restrictions on development, and provides less security to the Owners should it be necessary for the District to foreclose on the property because of the nonpayment of Special Taxes. Any delays in developing unimproved property, or the decision not to construct improvements on such property, may affect the willingness and ability of the owners of property within the District to pay the Special Taxes when due.

Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or to satisfy such governmental requirements could adversely affect planned land development. In addition, there is a risk that future governmental restrictions, including, but not limited to, governmental policies restricting or controlling

development within the District, will be enacted, and a risk that future voter approved land use initiatives could add more restrictions and requirements on development within the District.

Moreover, there can be no assurance that the means and incentive to conduct land development operations within the District will not be adversely affected by a deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, the income tax treatment of real property ownership or the national economy.

The Property Owners who own unimproved property are likely to need continued financing to complete the development of the property within the District. No assurance can be given that the required funding will be secured or that the proposed development will be partially or fully completed, and it is possible that cost overruns will be incurred that will require additional funding beyond what the Property Owners have projected, which may or may not be available.

Owners of the Bonds should assume that any event that significantly impacts the ability to complete the development of the land in the District would cause the property values within the District to decrease substantially and could affect the willingness and ability of the Property Owners to pay the Special Taxes when due.

COVID-19 Pandemic

The global outbreak of the novel coronavirus COVID-19 (“**COVID-19**”), a respiratory disease declared to be a pandemic (the “**Pandemic**”) by the World Health Organization, significantly affected the national capital markets and national, state and local economies in various ways. Unemployment in the United States dramatically increased as a result of the Pandemic and triggered a nationwide recession in February 2020. On May 6, 2020, Governor Newsom issued Executive Order N-61-20 (the “**Executive Order**”), waiving penalties and interest on taxes on property on the secured or unsecured roll through May 6, 2021 under certain conditions, including: (i) the property is a residential property occupied by the taxpayer or the property is used for a small business, (ii) the taxes owed were not delinquent as of March 4, 2020, (iii) the taxpayer files for relief in a form prescribed by the tax collector, and (iv) the taxpayer demonstrates economic hardship to the satisfaction of the tax collector. The Executive Order ceased as of May 6, 2021. California fully reopened the economy on June 15, 2021. Businesses and activities returned to normal, subject to certain risk reduction and safety measures, except for certain “mega events” (1,000 people indoors or 10,000 outdoors).

There can be no assurance that more additional State or federal measures or more restrictive safety protocols (including business closures) will not be imposed or reimposed in the future, depending on the course of the Pandemic, variants, a significant increase in the number of COVID-19 cases, updated guidance by the Centers for Disease Control and Prevention, or other factors. The actual impact of COVID-19 on the District will depend on future events, including future events outside of the control of the District, and actions by the federal government and the State. The District cannot predict the extent or duration of the outbreak or what overall impact it may have on the District. Any adverse impact of COVID-19 on the District, landowners, operations, finances and ability to complete development within the District as planned, Property Owners’ willingness and ability to pay Special Taxes when due, and the real estate market in general cannot be predicted.

Natural Disasters

The District, like all California communities, may be subject to unpredictable seismic activity, fires, wildfires, drought, floods or other natural disasters. The District is not situated within any currently designated State of California Earthquake Fault zones. However, the District, like most of Southern California is located in a seismically active area. Seismic activity from faults represents potential risk for damage to buildings, roads, bridges and property within the District in the event of an earthquake. There is significant potential for destructive ground-shaking during the occurrence of a major seismic event. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such an event.

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

The District is located outside the 500-year floodplain.

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 those in the City that are surrounded by hillsides. In general, property damage due to wildfire or mudslides could result in a significant decrease in property tax and other revenues received by the District. However, the District is not located in a wildfire risk zone.

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

Hazardous Substances

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel that relate 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 State 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 had 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.

The District has not independently verified, but is not aware, that any owner (or operator) of any of the parcels within the District has a liability related to hazardous substances with respect to any such parcel. However, it is possible that such liabilities do currently exist and that the District is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels within the District resulting from the existence, currently, on the parcel of a substance that is 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 that is 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. Any of these possibilities could significantly affect the willingness or ability of the owner of any parcel to pay the Special Taxes or the value of a parcel that is realizable upon a delinquency.

Cybersecurity Risk

The City, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive

information, the City is potentially subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the City's systems for the purposes of misappropriating assets or information or causing operational disruption or damage. No assurance can be given that the City's efforts to manage cyber threats and attacks will, in all cases, be successful or that any such attack will not materially impact the operations or finances of the City. The City is also reliant on other entities and service providers, such as the Fiscal Agent or the Dissemination Agent in connection with compliance by the City with its continuing disclosure undertakings. No assurance can be given that the City may not be affected by cyber threats and attacks against other entities or service providers in a manner which may affect the Owners of the Bonds, e.g., systems related to the timeliness of payments on their respective Bonds or compliance with disclosure filings pursuant to the Continuing Disclosure Agreement.

The City employs a multi-layer cyber protection scheme that includes weekly vulnerability scans by the Cybersecurity Infrastructure and Security Agency (part of the U.S. Department of Homeland Security), next-generation firewalls, anti-virus, anti-spam/malware software, intrusion detection/prevention, domain name system filtering services by Multi-State Information Sharing and Analysis Center, duplicate systems in a disaster recovery site, and multiple copies of everything that is backed up. The City implements recommended strategies suggested by security vendors and makes internal system changes as needed. To date, the City has not experienced a significant attack on its computer operating systems. However, there is no assurance that a future attack or attempted attack would not result in disruption of City operations. The City expects that any such disruptions would be temporary.

Shapiro Decision

On August 1, 2014, the California Court of Appeal, Fourth Appellate District, Division One (the "Court"), issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997). The case involved a Convention Center Facilities District (the "CCFD") established by the City of San Diego. The CCFD was a financing district established under the City of San Diego's charter (the "Charter") and was intended to function much like a community facilities district established under the provisions of the Act. The CCFD was comprised of all of the real property in the entire City of San Diego. However, the special tax to be levied within the CCFD was to be levied only on properties improved with a hotel located within the CCFD.

At the election to authorize such special tax, the Charter proceeding limited the electorate 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 an election limited to owners and lessees of properties on which the special tax would be levied, and not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was based on 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 will 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 did not comply with applicable requirements of Article XIII A, Section 4, and Article XIII C, Section 2, of the State Constitution, or with applicable provisions of the City of San Diego's Charter, because the electors in such an election were not the registered voters residing within the district.

In the case of the CCFD, at the time of the election there were several hundred thousand registered voters within the CCFD (*viz.*, all of the registered voters in the City of San Diego). In the case of the District, there were no registered voters within the District at the time of the elections to authorize the special tax levy for the District. In *Shapiro*, the Court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the Court's holding does not apply to the special tax election in the District. Moreover, Section 53341 of the Act provides that any "action or proceeding to attack, review, set aside, void or annul the levy of a special tax ... shall be commenced within 30 days after the special tax is approved by the voters." Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act or the levy of special taxes authorized pursuant to the Act be brought within 30 days of the voters approving the

issuance of such bonds or the special tax. Voters approved the Special Tax and the issuance of bonds for the District in compliance with all applicable requirements of the Act at the time of formation of the District in 2005. Therefore, under the provisions of Sections 53341 and 53359 of the Act, the statute of limitations period to challenge the validity of the Special Tax for the District has expired.

Parity Taxes and Special Assessments

Property within the District is subject to taxes and assessments imposed by other public agencies that have jurisdiction over the land within the District. See the caption “THE DISTRICT—Estimated Direct and Overlapping Indebtedness.”

The Special Taxes and any penalties thereon constitute a lien against the lots and parcels of land on which they have been levied. Such lien is on a parity with all special taxes and special assessments levied by the City and other agencies and is co-equal to and independent of the lien for general property taxes, regardless of when they are imposed upon the same property. The Special Taxes have priority over all existing and future private liens imposed on the property except, possibly, for liens or security interests held by the Federal Deposit Insurance Corporation and other federal government entities. See the captions “—Bankruptcy and Foreclosure” and “—FDIC/Federal Government Interests in Properties” below.

Neither the City nor the District has control over the ability of other entities and districts to issue indebtedness that is secured by special taxes, *ad valorem* taxes or assessments that are payable from all or a portion of the property within the District. In addition, the Property Owners within the District may, without the consent or knowledge of the District, 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 District or the willingness of property owners to pay the Special Tax.

Disclosures to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax even if the value of the parcel is sufficient to do so may be affected by whether or not the owner was given due notice of the Special Tax authorization when 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 District has caused a notice of the Special Tax lien to be recorded in the Office of the Recorder for the County against each parcel. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property within the District or lending of money secured by such property.

The Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit that is 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 § 1102.6b requires that in the case of transfers other than those that are 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 that is prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

Special Tax Delinquencies

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of and interest on the Bonds and any Parity Bonds are derived, are customarily billed to the properties within the

District on the *ad valorem* property tax bills sent to owners of such properties. The Act currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do *ad valorem* property tax installments.

Significant delinquencies in the payment of annual Special Tax installments, or delays in the prosecution of foreclosure proceedings to collect such Special Taxes, could result in default in depletion of the Reserve Account and default in payment of debt service on the Bonds. See the caption “THE DISTRICT—Delinquency History” for historical Special Tax delinquency information in the District. See the caption “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—Covenant to Foreclose; Proceeds of Foreclosure Sales” for a discussion of the provisions that apply, and the procedures that the District is obligated to follow under the Indenture, in the event of delinquencies in the payment of Special Taxes. See the captions “—FDIC/Federal Government Interests in Properties” and “—Bankruptcy and Foreclosure” for a discussion of the policy of the FDIC and the rights of federal government entities regarding the payment of special taxes and assessments and limitations on the District’s ability to foreclose on the lien of the Special Taxes in certain circumstances.

The Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (known as the Teeter Plan), as provided for in Section 4701 *et seq.* of the State Revenue and Taxation Code, is not available in the County for community facilities districts such as the District. The collection of Special Taxes is therefore subject to the risk of delinquency, while the District is also entitled to collect penalties and interest on delinquent Special Taxes.

Non-Cash Payments of Special Taxes

Under the Act, the City Council, as the legislative body of the District, may reserve to itself the right and authority to allow the owner of any taxable parcel to tender a Bond or Parity Bond in full or partial payment of any installment of the Special Taxes or the interest or penalties thereon. A Bond or Parity Bond so tendered is to be accepted at par and credit is to be given for any interest accrued thereon to the date of the tender. Thus, if Bonds or Parity Bonds can be purchased in the secondary market at a discount, it may be to the advantage of an owner of a taxable parcel to pay the Special Taxes applicable thereto by tendering a Bond or Parity Bond. Such a practice would decrease the cash flow available to the District to make payments with respect to other Bonds or Parity Bonds then outstanding; and, unless the practice was limited by the District, the Special Taxes paid in cash could be insufficient to pay the debt service due with respect to such other Bonds or Parity Bonds.

In order to provide some protection against the potential adverse impact on cash flows that might be caused by the tender of Bonds or Parity Bonds in payment of Special Taxes, the Indenture includes a covenant pursuant to which the District will not adopt any policy pursuant to Section 53341.1 of the Act permitting the tender of Bonds or Parity Bonds in full payment or partial payment of any Special Taxes unless the District has first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Special Tax revenues to pay the principal of and interest on the Bonds and Parity Bonds when due.

Payment of the Special Tax is Not a Personal Obligation of the Owners

The obligation to pay Special Taxes levied within the District does not constitute a personal obligation of the current or subsequent owners of the property in the District. Enforcement of Special Tax payment obligations by the District is limited to judicial foreclosure in the County Superior Court. See the caption “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—Covenant to Foreclose; Proceeds of Foreclosure Sales.” There is no assurance that any current or subsequent owner of a parcel that is subject to Special Taxes will be able to pay the Special Taxes, or that such owner will choose to pay such installments even though such owner is financially able to do so.

Land Values

The value of the property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Special Taxes, the District's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, natural disasters, stricter land use regulations, delays in development or other events could adversely impact the security that underlies the Special Taxes. See the caption "THE DISTRICT—Estimated Value-to-Lien Ratio" herein.

The assessed values that are 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 such parcel was acquired by its current owner, adjusted annually by an amount that is determined by the County Assessor, generally not to exceed an increase of more than 2% per Fiscal Year, and value increases attributable to new construction. In the last several years such upward adjustment has been less than 2% annually and in certain years, the assessed value for specific parcels within the District may have been revised downwards. In recent years, many counties in the State, including the County, have reassessed certain properties that were acquired at the peak of the real estate market. The District cannot predict whether the County will reduce assessed values within the District in future years. If the County did decide to broadly reassess assessed valuations in the County, it is possible that in future years the assessed values that shown in this Official Statement could be adjusted downward. Prospective purchasers of the Bonds should not assume that the property within the District could be sold for the assessed values that are described in this Official Statement at a foreclosure sale for delinquent Special Taxes or for an amount that is adequate to pay delinquent Special Taxes.

No assurance can be given that any bid will be received for a parcel with delinquent Special Taxes offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. See the caption "SOURCES OF PAYMENT FOR THE BONDS—Special Tax—Covenant to Foreclose; Proceeds of Foreclosure Sales."

No assurance can be given that any of unimproved parcels in the District could be sold for their assessed value if such parcels should become delinquent in the payment of Special Taxes and be foreclosed upon.

Potential Early Redemption of Bonds from Prepayments

Property owners within the District are permitted to prepay their Special Taxes at any time. Such prepayments will result in a redemption of Bonds from Special Tax prepayments on the Interest Payment Date for which timely notice may be given under the Indenture following the receipt of such Special Tax prepayment. The resulting redemption of Bonds purchased at a price greater than par could reduce the otherwise expected yield on such Bonds. See the caption "THE BONDS—Redemption—Extraordinary Redemption."

Billing of Special Taxes

A special tax formula can result in a substantially heavier property tax burden being imposed upon properties within a community facilities district than elsewhere in a city or county, and this in turn can lead to problems in the collection of the special tax. In some community facilities districts (although not in the District), taxpayers have refused to pay the special tax and have commenced litigation to challenge the special tax, the community facilities district and bonds issued by the community facilities district.

Under provisions of the Act, the Special Taxes are to be billed to the properties within the District that were entered on the Assessment Roll of the County Assessor by January 1 of the previous Fiscal Year. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. These Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills may also indicate an unwillingness or inability to make regular property tax payments and installment

payments of Special Taxes in the future. See the caption “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—Covenant to Foreclose; Proceeds of Foreclosure Sales” for a discussion of the provisions that apply, and that procedures that the District is obligated to follow, in the event of delinquency in the payment of installments of Special Taxes.

Value-to-Lien Ratios

The estimated value-to-lien ratios set forth under the caption “THE DISTRICT—Estimated Value-to-Lien Ratio” are based on the assessed values of property in the District and the direct and overlapping debt that is currently allocable to such property, as of September 1, 2021. No assurance can be given that such value-to-lien ratios will be maintained over time. As discussed herein, many factors that are beyond the control of the City and the District could adversely affect the property values within the District. Neither the City nor the District has any control over the amount of additional indebtedness that may be issued by other public agencies, the payment of which, through the levy of a tax or an assessment, is on a parity with the Special Taxes. See the captions “—Parity Taxes and Special Assessments” and “THE DISTRICT—Estimated Direct and Overlapping Indebtedness.” A decrease in the property values in the District or an increase in the parity liens on property in the District, or both, could result in a reduction of the value-to-lien ratios of the property in District.

IRS Audit of Tax-Exempt Bond Issues

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 (or by an audit of similar bonds or securities).

FDIC/Federal Government Interests in Properties

General. The ability of the District to collect the Special Taxes and interest and penalties as specified by State law, and to foreclose the lien of delinquent Special Taxes, may be limited in certain respects with regard to properties in which the FDIC, the Federal National Mortgage Association (“FNMA”), the IRS, the Drug Enforcement Administration or other similar federal governmental agencies has or obtains an interest.

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

Moreover, unless the United States 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 that is 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*, 597 F.2d 174 (9th Cir. 1979), the United States Court of Appeal, Ninth Circuit (the “Ninth Circuit”), held that FNMA is a federal instrumentality for purposes of this doctrine rather than a private entity, and that, as a result, an exercise of state power over a mortgage interest that is held by FNMA constitutes an exercise of state power over property of the United States. For a discussion of risks that are associated with taxable parcels within the District becoming owned by the federal government, federal government entities or federal government sponsored entities, see the caption “—Insufficiency of Special Taxes.”

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,

and therefore expresses no view concerning the likelihood that the risks that are described above will materialize while the Bonds are outstanding.

FDIC. In the event that any financial institution making any loan which is secured by real property within the District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the District to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited. On June 4, 1991, the FDIC issued a Statement of Policy Regarding the Payment of State and Local Property Taxes (the “**1991 Policy Statement**”). The 1991 Policy Statement was revised and superseded by new Policy Statement effective January 9, 1997 (the “**Policy Statement**”). The Policy Statement provides that real property that is 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 at the rate provided under state law, to the extent that 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 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 that is 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 that such lien purports to secure the payment of any such amounts. Special taxes imposed under the Act and a special tax formula that determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC’s federal immunity. The Ninth Circuit issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from special taxes under the Act. With respect to property in the State that is owned by the FDIC on January 9, 1997 and that was owned by the Resolution Trust Company (the “**RTC**”) on December 31, 1995, or that became the property of the FDIC through foreclosure of a security interest that was held by the RTC on that date, the FDIC will continue the RTC’s prior practice of paying special taxes that are imposed pursuant to the Act if the taxes were imposed prior to the RTC’s acquisition of an interest in the property. All other special taxes may be challenged by the FDIC.

The City and the District are unable to predict what effect the FDIC’s application of the Policy Statement would have in the event of a delinquency on a parcel within the District in which the FDIC has an interest, although prohibiting the lien of the FDIC from being foreclosed at a judicial foreclosure sale would reduce or eliminate the number of persons who would purchase a parcel at a foreclosure sale. Owners of the Bonds should assume that the District will be unable to foreclose on any parcel owned by the FDIC. Such an outcome could cause a draw on the Reserve Account and perhaps, ultimately, a default in payment on the Bonds.

Bankruptcy and Foreclosure

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

The payment of Special Taxes and the ability of the District to foreclose the lien of a delinquent Special Tax may be limited by bankruptcy, insolvency or other laws that generally affect creditors’ rights or by the laws of the State that relate to judicial foreclosure.

Bankruptcy, insolvency and other laws that affect creditors' rights could adversely impact the interests of owners of the Bonds in at least two ways. First, the payment of property owners' taxes and the ability of the District to foreclose the lien of delinquent unpaid Special Taxes pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws (such as the Soldiers' and Sailors' Relief Act of 1940 discussed below) or by the laws of the State that relate to judicial foreclosure. See the caption "SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—Covenant to Foreclose; Proceeds of Foreclosure Sales." In addition, the prosecution of a foreclosure could be delayed for many reasons, including crowded local court calendars or lengthy procedural delays.

Second, the United States Bankruptcy Code might prevent moneys that are deposited in the Special Tax Fund from being applied to pay interest on the Bonds and/or to redeem Bonds if bankruptcy proceedings were brought by or against a landowner in the District and if the court found that any of such landowners had an interest in such moneys within the meaning of Section 541(a)(1) of the United States Bankruptcy Code.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, the amount and priority of any lien on property that secures the payment of delinquent Special Taxes could be reduced or modified if the value of the property were determined by the bankruptcy court to have become less than the amount of the lien, and the amount of the delinquent Special Taxes in excess of the reduced lien would then be treated as an unsecured claim by the court. Further, bankruptcy of a property owner could result in an unwillingness to pay Special Taxes, a stay or other delay in prosecuting Superior Court foreclosure proceedings. Such a delay would increase the likelihood of a delay or default in payment of the principal of, and interest on, the Bonds and the possibility of delinquent Special Tax installments not being paid in full.

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

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

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

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

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

No Acceleration Provision

The Bonds do not contain a provision that authorizes the acceleration of the Bonds in the event of a payment default or other default under the Bonds or the Indenture. See Appendix B under the caption "EVENTS OF DEFAULT; REMEDIES—Remedies of Owners" for a description of remedies that are available to the Bond Owner if the District defaults under the Indenture.

Loss of Tax Exemption

As discussed under the caption "TAX EXEMPTION," the interest on the Bonds could cease to be excluded from gross income for federal income taxation, retroactive to the date of issuance of the Bonds, as a result of future acts or omissions of the District. In addition, it is possible that future changes in applicable federal tax laws could cause interest on the Bonds to be included in gross income for federal income taxation or could otherwise reduce the equivalent taxable yield of such interest and thereby reduce the value of the Bonds.

Limitations on Remedies

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

Bond Counsel has limited its opinion as to the enforceability of the Bonds and 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 and by the exercise of judicial discretion. 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.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the District has committed to provide certain financial and operating information on an annual basis, there can be no assurance that such information will be available to Owners of the Bonds on a timely basis. See the caption "CONTINUING DISCLOSURE." The failure to provide the required annual financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of 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, Proposition 218, which is commonly referred to as the "Right to Vote on Taxes Act" (the "**Initiative**") was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Articles XIIC and XIID to the State Constitution. According to the "Title and Summary" of

the Initiative prepared by the State Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” The Initiative could potentially impact the Special Taxes available to the District to pay the principal of and interest on the Bonds as described below.

Among other things, Section 3 of Article XIIC states that “. . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or to terminate the levy of any special tax that is pledged to repay any debt that is incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

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

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the Bonds. The provisions of the Initiative relating to the exercise of the initiative power have not been interpreted by the courts, and no assurance can be given as to the outcome of any such litigation.

It may be possible, however, for voters or the City Council, acting as the legislative body of the District, to reduce the Special Taxes in a manner that does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses.

It may be possible, however, for voters or the District or 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 Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Nevertheless, the District has covenanted that it will not initiate proceedings under the Act to reduce the Maximum Special Tax rates on parcels of Developed Property within the District below the amounts which are necessary to provide the Special Tax Revenues in an amount equal to the estimated Administrative Expense on the then current Fiscal Year plus an amount equal to one hundred ten percent (110%) of Maximum Annual Debt Service on the Outstanding Bonds. The District also has covenanted that, in the event an initiative is adopted which purports to reduce or otherwise alter the Maximum Rates, it will commence and pursue legal action in seeking 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 interpretation and application of Articles XIIC and XIID will ultimately be determined by the courts with respect to a number of the matters that are 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 the caption “—Limitations on Remedies.”

Ballot Initiatives

Article XIII C was adopted pursuant to a measure that qualified for the ballot pursuant to the State's Constitutional initiative process, and the State Legislature has in the past enacted legislation that has altered the spending limitation or established minimum funding provisions for particular activities. On March 6, 1995, in the case of *Rossi v. Brown*, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to an initiative. From time to time, other initiative measures could be adopted by State voters or legislation enacted by the State Legislature. The adoption of any such initiative or enactment of legislation might place limitations on the ability of the State, the County or local districts to increase revenues or appropriations or on the ability of a property owner to complete the development of property within the District.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Agreement, dated as of December 1, 2021 (the "**District Disclosure Agreement**"), the District has agreed to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("**EMMA**") system certain annual financial information and operating data concerning the District and notice of certain enumerated events (the "**District Annual Report**"). The District Annual Report is to be filed not later than April 1 of each year, beginning April 1, 2022.

Within the last five years, the City has not failed to file in a timely manner certain information required by the District's existing continuing disclosure undertakings.

The proposed form of the District Disclosure Agreement is set forth in Appendix C.

LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. The form of Bond Counsel's opinion with respect to the Bonds is set forth in Appendix D. In addition, certain legal matters will be passed upon for the City and the District by the City Attorney and for the District by Nixon Peabody LLP, as disclosure counsel ("**Disclosure Counsel**"). Certain other legal matters will be passed on for the District by the City Attorney, for the Underwriter by Kutak Rock LLP, and for the Trustee by its counsel.

TAX EXEMPTION

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

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

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

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

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

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

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

Although Bond Counsel will render an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District and the City continue

to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

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

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

NO LITIGATION

At the time of delivery of and payment for the Bonds, the District will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the District, threatened against the District affecting the existence of the District or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture, or any action of the District contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the District or its authority with respect to the Bonds or any action of the District contemplated by any of said documents, nor to the knowledge of the District, is there any basis therefor.

NO RATING

The Bonds have not been rated by any credit rating agency.

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”). The Underwriter has agreed to purchase the Bonds at a price of \$5,261,435.15 (reflecting the \$4,795,000.00 aggregate principal amount of the Bonds, less Underwriter’s discount of \$58,738.75 and plus an original issue premium of \$525,173.90). The purchase agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in such purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter has entered into an agreement with its affiliate, Vining-Sparks IBG, LLC (“Vining-Sparks”) for the distribution of certain municipal securities offerings at the original issue price. Pursuant to that distribution agreement, Vining-Sparks may purchase Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that Vining-Sparks sells.

The initial offering prices that are stated on the inside front cover page of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts), dealer banks, banks acting as agent and others at prices lower than said public offering prices.

MUNICIPAL ADVISOR

The District has retained Fieldman, Rolapp & Associates, Inc., Irvine, California, as municipal advisor (the “**Municipal Advisor**”) in connection with the sale of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

FINANCIAL INTERESTS

The fees being paid to the Municipal Advisor, the Underwriter, Underwriter’s Counsel, Bond Counsel and Disclosure Counsel are contingent upon the issuance and delivery of the Bonds. From time to time, Bond Counsel and Disclosure Counsel represent the Underwriter on matters unrelated to the Bonds.

PENDING LEGISLATION

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

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APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES

**(RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 5
OF THE CITY OF MORENO VALLEY)**

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Rate and Method of Apportionment

**RATE AND METHOD OF APPORTIONMENT FOR
COMMUNITY FACILITIES DISTRICT NO. 5
OF THE CITY OF MORENO VALLEY**

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels of Taxable Property in Community Facilities District No. 5 of the City of Moreno Valley ("CFD No. 5") and collected each Fiscal Year commencing in Fiscal Year 2006-07, in an amount determined by the City Council through the application of the appropriate Special Tax for "Developed Property" and "Undeveloped Property" as described herein. All of the real property in CFD No. 5 shall be taxed for the purposes, to the extent and in the manner herein provided, except property defined as Exempt Property and subject to Section E below.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the land area (excluding rights-of-way) 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, condominium plan, or other recorded parcel map (excluding rights-of-way). If the land area is presented in square footage, then the Acreage equals the parcel square footage divided by 43,560 (square footage per Acre).

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

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 5: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the City or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 5 or any designee thereof of complying with arbitrage rebate requirements, including but not limited to, any rebate obligation; the costs to the City, CFD No. 5 or any designee thereof of complying with disclosure requirements of the City and /or, CFD No. 5 associated with applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs to the City, CFD No. 5 or any designee thereof related to any appeal of the Special Tax; the costs associated with the release of funds from an escrow or appeals account, including appraisal costs; and the City's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated by the CFD Administrator or advanced by the City or CFD No. 5 for any other administrative purposes of CFD No. 5, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

Rate and Method of Apportionment

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

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

“Bonds” means any binding obligation including bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 5 under the Act.

“CFD Administrator” means the Enterprise Services Manager of the City of Moreno Valley, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

“CFD No. 5” means Community Facilities District No. 5 of the City of Moreno Valley.

“City” means the City of Moreno Valley.

“City Council” means the City Council of the City, acting as the legislative body of CFD No. 5.

“County” means the County of Riverside.

“Final Map” means a final map or parcel map approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) that creates individual lots for which building permits may be issued.

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

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

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

“Property”:

“Developed Property” means for each Fiscal Year, all Taxable Property for which a building permit for new construction was issued prior to March 1 of the prior Fiscal Year.

“Exempt Property” means any property not subject to Special Tax as described under Section E, herein.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 5, which are not classified as Exempt Property.

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

Rate and Method of Apportionment

“Proportionately” means for Developed Property that the ratio of the actual Special Tax levy per acre to the Maximum Annual Special Tax per acre is equal for all Assessor’s Parcels of Developed Property within CFD No.5. For Undeveloped Property, **“Proportionately”** means that the ratio of the actual Special Tax levy per Acre to the Maximum Annual Special Tax per Acre is equal for all Assessor’s Parcels of Undeveloped Property in CFD No. 5.

“State” means the State of California.

“Tax”:

“Maximum Annual Special Tax” means the maximum Special Tax, determined in accordance with Section C, that can be levied in any Fiscal Year on any Assessor’s Parcel.

“Special Tax” means the special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Developed Property and Undeveloped Property to fund the Annual Special Tax Requirement.

“Annual Special Tax Requirement” means that amount required in any Fiscal Year for CFD No. 5 to pay the sum of: (i) debt service on all Outstanding Bonds; (ii) periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) Administrative Expenses; (iv) any amounts required to establish or replenish any reserve funds for all Bonds issued or to be issued by CFD No. 5; and (v) any amounts required for the acquisition or construction of facilities eligible under the Act. In arriving at the Annual Special Tax Requirement, the CFD Administrator shall take into account the reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year and shall give a credit for funds available to reduce the annual Special Tax levy.

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

B. CLASSIFICATION OF PROPERTIES

Each Fiscal Year, all Property within CFD No. 5 shall be classified as Taxable Property or Exempt Property. Taxable Property shall be further classified as Developed Property or Undeveloped Property and shall be subject to Special Taxes up to the rates set forth in Section C and in accordance with the method of apportionment pursuant to Section D.

Rate and Method of Apportionment

C. SPECIAL TAX RATE

1. Developed Property

a. Maximum Annual Special Tax

The Maximum Annual Special Tax for each Assessor's Parcel of Developed Property shall be \$10,652 per Acre for Fiscal Year 2006-2007, and shall increase thereafter, commencing on July 1, 2007 and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the Maximum Annual Special Tax in effect in the previous Fiscal Year.

2. Undeveloped Property

a. Maximum Annual Special Tax

The Maximum Annual Special Tax for each Assessor's Parcel of Undeveloped Property shall be \$10,652 per Acre for Fiscal Year 2006-07, and shall increase thereafter, commencing on July 1, 2007 and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the Maximum Annual Special Tax for the previous Fiscal Year.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2006-07 and for each following Fiscal Year, the City Council shall levy the Special Tax until the amount of Special Taxes levied equals the Annual Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Annual Special Tax.

Second, if additional monies are needed to satisfy the Annual Special Tax Requirement, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the applicable Maximum Annual Special Tax.

E. EXEMPTIONS

At the time the Special Tax is enrolled for the Fiscal Year for which the Special Tax is being levied, the CFD Administrator shall classify as Exempt Property: (i) Assessor's Parcels owned by, dedicated to, or irrevocably offered for dedication to the State of California, federal or other local governments; (ii) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement; (iii) Assessor's Parcels owned by a property owner's association; provided that no such classification would reduce the Acreage of Taxable Property to less than 55.4 Acres. The

Rate and Method of Apportionment

CFD Administrator shall classify property as Exempt Property in the chronological order that such property qualifies to be classified as such. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of Taxable Property to less than 55.4 Acres will be classified as Undeveloped Property, and will be subject to Special Taxes accordingly. If the use of an Assessor's Parcel classified as Exempt Property changes so that such Assessor's Parcel is no longer classified as one of the uses that would make such Assessor's Parcel eligible to be classified as Exempt Property, such Assessor's Parcel shall cease to be classified as Exempt Property and shall be classified as Taxable Property.

F. 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. 5 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

G. PREPAYMENT OF SPECIAL TAX

The following additional definitions apply to Section G, herein:

"CFD Public Facilities" means those public facilities authorized to be financed by CFD No. 5.

"CFD Public Facilities Costs" means either \$8,300,000, or such lower number as shall be determined either by (a) the CFD Administrator as sufficient to finance the CFD Public Facilities, or (b) the City Council concurrently with a covenant that it will not issue any more Bonds to be secured by Special Taxes levied under this Rate and Method of Apportionment.

"Construction Fund" means the fund as identified in the Indenture, which is used to disburse funds to pay the cost and acquisition of public improvements funded with the Bond proceeds or Special Taxes.

"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 last day of that calendar year, which ends in the previous Fiscal Year. In the event this index ceases to be published, the inflation index shall be another index as determined by the CFD Administrator 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 Costs minus: (a) the portion of the CFD Public Facilities Costs previously funded (i) from the proceeds of all previously issued Bonds, (ii) from interest earnings on the Construction Fund actually earned prior to the date of prepayment and (iii) directly from Special Tax revenues; and (b) the amount of the proceeds of all previously issued Bonds, including interest earnings and Special Tax revenues, then on deposit in the Construction Fund.

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

Prepayment of a Special Tax in Part or in Full

The Special Tax obligation applicable to an Assessor’s Parcel may be prepaid at any time and the obligation of such Assessor’s Parcel to pay any Special Tax may be fully or partially satisfied as described herein. The CFD Administrator may charge a reasonable fee for calculation of the Prepayment Amount as defined below.

1. Prepayment in Full

The Maximum Annual Special Tax obligation may be prepaid and permanently satisfied for any Assessor’s Parcel. The Maximum Annual Special Tax obligation applicable to such Assessor’s Parcel may be fully prepaid and the obligation of the Assessor’s Parcel to pay the Special Tax permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor’s Parcel at the time of prepayment. An owner of an Assessor’s Parcel intending to prepay the Maximum Annual Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount of such Assessor’s Parcel. The CFD Administrator may charge a reasonable fee for providing this figure. The Prepayment Amount (defined below) shall be calculated as follows (capitalized terms as defined below):

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

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

1. Compute the Maximum Annual Special Tax for the Assessor’s Parcel to be prepaid.
2. Divide the Maximum Annual Special Tax computed pursuant to paragraph 1 by the sum of the total expected Maximum Annual Special Tax revenues that may be levied within CFD No. 5 excluding any Assessors Parcels for which the Maximum Annual Special Tax obligation has been previously prepaid.

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3. Multiply the quotient computed pursuant to paragraph 2 by the principal amount of Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").
4. Multiply the Bond Redemption Amount computed pursuant to paragraph 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
5. If all of the authorized Bonds to be issued for CFD No. 5 have not been issued, compute the Future Facilities Costs.
6. Multiply the quotient computed pursuant to paragraph 2 by the amount determined pursuant to paragraph 5 to compute the amount of Future Facilities Costs to be allocated to such Assessor's Parcel (the "Future Facilities Amount").
7. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
8. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
9. Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year that have not yet been paid.
10. Determine the fees and expenses of CFD No. 5, including but not limited to, the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds from the proceeds of such prepayment, and the cost of recording any notices to evidence the prepayment and the redemption (the "Prepayment Fees and Expenses").
11. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Prepayment Fees and Expenses as determined pursuant to paragraph 10, from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
12. Add the amounts computed pursuant to paragraphs 7 and 9 and subtract the amount computed pursuant to paragraph 11 (the "Defeasance Amount").
13. The reserve fund credit (the "Reserve Fund Credit") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment; or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than

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zero. No Reserve Fund Credit shall be granted if the amount then on deposit in the reserve fund for the Outstanding Bonds is below 100% of the reserve fund requirement (as defined in the Indenture).

14. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient computed pursuant to paragraph 2 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "Capitalized Interest Credit").
15. The Maximum Annual Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 3, 4, 6, 10 and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the "Prepayment Amount").
16. From the Prepayment Amount, the amounts computed pursuant to paragraphs 3, 4, 12, 13, and 14 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. CFD No. 5 shall retain the amount computed pursuant to paragraph 10. The amount computed pursuant to paragraph 6 shall be deposited in the Construction Fund.

If the Prepayment Amount is insufficient to redeem Bonds in \$5,000 increment of Bonds, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under paragraph 9 above, the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid, the City Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Special Taxes, net of Administrative Expenses, that may be levied on Taxable Property within CFD No. 5 both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

Tenders of Bonds in prepayment of Special Taxes may be accepted upon the terms and conditions established by the City Council pursuant to the Act. However, the use of Bond tenders shall only be allowed on a case-by-case basis as specifically approved by the City Council.

2. Prepayment in Part

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The Maximum Annual Special Tax obligation of an Assessor's Parcel may be partially prepaid. The amount of the prepayment shall be calculated as in Section G.1; except that a partial prepayment shall be calculated according to the following formula:

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

These terms have the following meaning:

- PP = the partial prepayment
- P_E = the Prepayment Amount calculated according to Section G.1, minus Prepayment Fees and Expenses pursuant to paragraph 10.
- F = the percent by which the owner of the Assessor's Parcel(s) is partially prepaying the Maximum Annual Special Tax obligation.
- A = the Prepayment Fees and Expenses pursuant to paragraph 10 of Section G.1.

The owner of an Assessor's Parcel who desires to partially prepay the Maximum Annual Special Tax obligation shall notify the CFD Administrator in writing of: (i) such owner's intent to partially prepay the Maximum Annual Special Tax obligation, (ii) the percentage by which the Maximum Annual Special Tax obligation shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if applicable. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Maximum Annual Special Tax obligation for an Assessor's Parcel within 30 days of the request and may charge a reasonable fee for providing this service.

With respect to any Assessor's Parcel that is partially prepaid, the City shall: (i) distribute the funds remitted to it according to paragraph 16 of Section G.1, and (ii) indicate in the records of CFD No. 5 that there has been a partial prepayment of the Maximum Annual Special Tax obligation and that a portion of the Maximum Annual Special Tax obligation equal to the outstanding percentage (1.00 - F) of the remaining Special Tax obligation shall continue to be authorized to be levied on such Assessor's Parcel pursuant to Section D.

H. TERM OF SPECIAL TAX

For each Fiscal Year, or portion thereof, that any Bonds are Outstanding Bonds the Special Tax shall be levied on all Assessor's Parcels subject to the Special Tax. The Special Tax shall cease not later than the 2046-47 Fiscal Year, however, the Special Tax will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined (i) that all required interest and principal payments on the CFD No. 5 Bonds have been paid; (ii) all Authorized Facilities have been acquired and all reimbursements to the developer have been paid, (iii) no delinquent Maximum Annual Special Taxes remain uncollected and (iv) all other obligations of CFD No. 5 have been satisfied.

I. APPEALS

Any landowner who feels that the amount of the Special Tax levied on their Assessor's Parcel is in error may submit a written appeal to CFD No. 5. The CFD Administrator shall review

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the appeal and if the CFD Administrator concurs, the amount of the Special Tax levied shall be appropriately modified. If the CFD Administrator's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the landowner, a cash refund will not be made (except for the last year of the 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 Rate and Method of Apportionment for purposes of clarifying any ambiguity and make determinations relative to the annual administration of the Special Tax and any landowner appeals. Any decision of the City Council shall be final and binding as to all persons.

APPENDIX B

SUMMARY OF BOND INDENTURE

The following is a summary of certain provisions of the Indenture that are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the Indenture for a full and complete statement of the provisions thereof.

DEFINITIONS

Unless the context otherwise requires, the following terms have the following meanings:

“Account” means any account created pursuant to the Indenture.

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

“Administrative Expenses” means the administrative costs with respect to the calculation and collection of the Special Taxes, including all attorneys’ fees and other costs related thereto, the fees and expenses of the Trustee, any fees and related costs for credit enhancement for the Bonds or any Parity Bonds which are not otherwise paid as Costs of Issuance, any costs related to the District’s compliance with state and federal laws requiring continuing disclosure of information concerning the Bonds and the District, and any other costs otherwise incurred by the City staff on behalf of the District in order to carry out the purposes of the District as set forth in the Resolution of Formation and any obligation of the District under the Indenture.

“Administrative Expenses Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

“Alternative Penalty Account” means the account by that name created and established in the Rebate Fund pursuant to the Indenture.

“Annual Debt Service” means the principal amount of any Outstanding Bonds or Parity Bonds payable in a Bond Year either at maturity or pursuant to a Sinking Fund Payment and any interest payable on any Outstanding Bonds or Parity Bonds in such Bond Year, if the Bonds and any Parity Bonds are retired as scheduled.

“Authorized Representative of the City” means the Mayor of the City, the City Manager of the City, the Chief Financial Officer of the City and the Financial and Management Services Director of the City, or any other person or persons designated by the Mayor, the City Manager, the Chief Financial Officer or the Financial and Management Services Director by a written certificate signed by the Mayor, the City Manager, the Chief Financial Officer or the Financial and Management Services Director and containing the specimen signature of each such person.

“Authorized Representative of the District” means the Mayor of the City, the City Manager of the City, the Chief Financial Officer of the City and the Financial and Management Services Director of the City, or any other person or persons designated by the Mayor, the City Manager, the Chief Financial Officer or the Financial and Management Services Director by a written certificate signed by the Mayor, the City Manager, the Chief Financial Officer or the Financial and Management Services Director and containing the specimen signature of each such person.

“Bond Counsel” means an attorney at law or a firm of attorneys selected by the District of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

“Bond Register” means the books which the Trustee will keep or cause to be kept on which the registration and transfer of the Bonds and any Parity Bonds are recorded.

“**Bondowner**” or “**Owner**” means the person or persons in whose name or names any Bond or Parity Bond is registered on the Bond Register.

“**Bonds**” means the Community Facilities District No. 5 of the City of Moreno Valley Special Tax Refunding Bonds Series 2021 issued under the Indenture.

“**Bond Year**” means the twelve month period commencing on September 2 of each year and ending on September 1 of the following year, except that the first Bond Year for the Bonds or an issue of Parity Bonds will begin on the Delivery Date and end on the first September 1 which is not more than 12 months after the Delivery Date.

“**Business Day**” means a day which is not a Saturday or Sunday or a day of the year on which banks or trust companies in New York, New York, Los Angeles, California, or the city where the corporate trust office of the Trustee is located are not required or authorized by law, regulation or executive order, to close or to remain closed.

“**Certificate of an Authorized Representative**” means a written certificate executed by an Authorized Representative of the City or an Authorized Representative of the District, as applicable.

“**City**” means the City of Moreno Valley, California.

“**Code**” means the Internal Revenue Code of 1986, as amended, and any Regulations, rulings, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing it.

“**Continuing Disclosure Agreement**” means the Continuing Disclosure Agreement, dated as of the date of the Indenture, by and between the District and the Dissemination Agent named therein, as amended.

“**Costs of Issuance**” means the costs and expenses incurred in connection with the issuance and sale of the Bonds or any Parity Bonds, including the acceptance and initial annual fees and expenses of the Trustee, legal fees and expenses, costs of printing the Bonds and Parity Bonds and the preliminary and final official statements for the Bonds and Parity Bonds, fees of financial consultants and all other related fees and expenses, as set forth in a Certificate of an Authorized Representative of the City.

“**Costs of Issuance Fund**” means the fund by that name established pursuant to the Indenture.

“**Delivery Date**” means, with respect to the Bonds and each issue of Parity Bonds, the date on which the bonds of such issue were issued and delivered to the initial purchasers thereof.

“**Depository**” means The Depository Trust Company, New York, New York, and its successors and assigns as securities depository for the Bonds, or any other securities depository acting as Depository under the Indenture.

“**District**” means Community Facilities District No. 5 of the City of Moreno Valley established pursuant to the Act and the Resolution of Formation.

“**Event of Default**” means an event described in the Indenture.

“**Federal Securities**” means any of the following: (a) non-callable direct obligations of the United States of America (“**Treasuries**”); (b) evidence of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated; and (c) pre-refunded municipal obligations rated “AAA” and “Aaa” by Standard & Poor’s and Moody’s, respectively (or any combination thereof).

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

“Governmental Authority” means any governmental or quasi-governmental entity, including any court, department, commission, board, bureau, agency, administration, central bank, service, district or other instrumentality of any governmental entity or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government, or any arbitrator, mediator or other person with authority to bind a party at law.

“Independent Financial Consultant” means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the District, who, or each of whom: (a) is in fact independent and not under the domination of the District; (b) does not have any substantial interest, direct or indirect, in the District; and (c) is not connected with the District as a member, officer or employee of the District, but who may be regularly retained to make annual or other reports to the District.

“Indenture” means the Bond Indenture, dated as of January 1, 2017, by and between the District and the Trustee, together with any Supplemental Indenture approved pursuant to the Indenture.

“Interest Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

“Interest Payment Date” means each March 1 and September 1; commencing March 1, 2022; provided, however, that, if any such day is not a Business Day, interest up to the Interest Payment Date will be paid on the following Business Day.

“Maximum Annual Debt Service” means the maximum sum obtained for any Bond Year prior to the final maturity of the Bonds and any Parity Bonds by adding the following for each Bond Year: (a) the principal amount of all Outstanding Bonds and Parity Bonds payable in such Bond Year either at maturity or pursuant to a Sinking Fund Payment; and (b) the interest payable on the aggregate principal amount of all Bonds and Parity Bonds Outstanding in such Bond Year if the Bonds and Parity Bonds are retired as scheduled.

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

“Net Taxes” means Special Taxes less amounts set aside to pay Administrative Expenses.

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

“Ordinance” means Ordinance No. 701 adopted by the legislative body of the District on November 8, 2005, providing for the levying of the Special Tax.

“Outstanding” or **“Outstanding Bonds and Parity Bonds”** means all Bonds and Parity Bonds issued by the District, except: (a) Bonds and Parity Bonds cancelled or surrendered for cancellation in accordance with the Indenture; (b) Bonds and Parity Bonds for the payment or redemption of which moneys have been deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds or Parity Bonds), provided that, if such Bonds or Parity Bonds are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in the Indenture or any applicable Supplemental Indenture for Parity Bonds; and (c) Bonds and Parity Bonds that have been surrendered to the Trustee for transfer or exchange pursuant to the Indenture or for which a replacement has been issued pursuant to the Indenture.

“Parity Bonds” means all bonds, notes or other similar evidences of indebtedness later issued, payable out of the Net Taxes and which, as provided in the Indenture or any Supplemental Indenture, rank on a parity with the Bonds.

“Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Bonds or Parity Bonds as securities depository.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(1) (A) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“**United States Treasury Obligations**”); (B) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America; (C) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America; or (D) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

(2) Federal Housing Administration debentures.

(3) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Federal Home Loan Mortgage Corporation (FHLMC)

Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

Senior Debt obligations

- Farm Credit Banks (formerly: Federal Land Banks, Federal

Intermediate Credit Banks and Banks for Cooperatives)

Consolidated system-wide bonds and notes

- Federal Home Loan Banks (FHL Banks)

Consolidated debt obligations

- Federal National Mortgage Association (FNMA)

Senior debt obligations

Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

- Student Loan Marketing Association (SLMA)

Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)

- Financing Corporation (FICO)

Debt obligations

- Resolution Funding Corporation (REFCORP)

Debt obligations

(4) Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank (including the Trustee and any affiliate) the short-term obligations of which are rated "A-1" or better by Standard & Poor's.

(5) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks (including the Trustee and any affiliate) which have capital and surplus of at least \$5 million.

(6) Commercial paper (having original maturities of not more than 270 days rated at the time of purchase "A-1+" by Standard & Poor's and "Prime-1" by Moody's).

(7) Money market funds rated "AAm" or "AAm-G" by Standard & Poor's, or better (including those for which the Trustee or its affiliates receive and retain a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise).

(8) "State Obligations," which means: (A) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by Standard & Poor's, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated; (B) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated "A-1+" by Standard & Poor's and "Prime-1" by Moody's; and (C) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated "AA" or better by Standard & Poor's and "Aa" or better by Moody's.

(9) Pre-refunded municipal obligations rated "AAA" by Standard & Poor's and "Aaa" by Moody's meeting the following requirements: (A) the municipal obligations are: (1) not subject to redemption prior to maturity; or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions; (B) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations; (C) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("**Verification**"); (D) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations; (E) no substitution of a United States Treasury Obligation will be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and (F) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

(10) Repurchase agreements: (A) With: (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A" by Standard & Poor's and Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by Standard & Poor's and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated "A" or better by Standard & Poor's and Moody's, provided that: (a) The market value of the collateral is maintained at levels equal to 104% of the amount of cash transferred by the Trustee to the provider of the repurchase agreement plus accrued interest with the collateral being valued weekly and marked-to-market at one current market price plus accrued interest; (b) The Trustee or a third party acting solely as agent therefor or for the District (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books); (c) The repurchase agreement will state and an opinion of counsel will be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, the foregoing means the Holder of the Collateral is in possession); (d) The repurchase agreement must provide that if during its term the provider's rating by either Moody's or Standard & Poor's is withdrawn or suspended or falls below "A-" by Standard & Poor's or "A3" by Moody's, as appropriate, the provider must, at the direction of the District or the Trustee, within 10 days of receipt of such direction,

repurchase all collateral and terminate the agreement, with no penalty or premium to the District or Trustee. (B) Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (a) above, so long as such collateral levels are 103% or better and the provider is rated at least “A” by Standard & Poor’s and Moody’s, respectively.

(11) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least “AA” by Standard & Poor’s and “Aa” by Moody’s; provided that, by the terms of the investment agreement: (A) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the Acquisition and Construction Fund, construction draws) on the Bonds; (B) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days’ prior notice; the District and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid; (C) the investment agreement must state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof, or, in the case of a bank, that the obligation of the bank to make payments under the agreement ranks pari passu with the obligations of the bank to its other depositors and its other unsecured and unsubordinated creditors; (D) the District and the Trustee receives the opinion of domestic counsel (which opinion will be addressed to the District and the Trustee) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the District; (E) the investment agreement must provide that if during its term: (1) the provider’s rating by either Standard & Poor’s or Moody’s falls below “AA-” or “Aa3”, respectively, the provider will, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider’s books) to the District, the Trustee or a third party acting solely as agent therefor (the “Holder of the Collateral”) collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to Standard & Poor’s and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment; and (2) the provider’s rating by either Standard & Poor’s or Moody’s is withdrawn or suspended or falls below “A-” or “A3”, respectively, the provider must, at the direction of the District or the Fiscal Agent, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the District or Trustee; (F) the investment agreement will state and an opinion of counsel will be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, the foregoing means the Holder of the Collateral is in possession); and (G) the investment agreement must provide that if during its term: (1) the provider defaults in its payment obligations, the provider’s obligations under the investment agreement will, at the direction of the District or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the District or Trustee, as appropriate, and (2) the provider will become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. (“event of insolvency”), the provider’s obligations will automatically be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the District or Trustee, as appropriate.

(12) The State of California Local Agency Investment Fund; provided that the Trustee may restrict investments in such fund to the extent necessary to keep monies available for the purposes of the Indenture.

“**Person**” means natural persons, firms, corporations, partnerships, associations, trusts, public bodies and other entities.

“**Prepayments**” means any amounts paid by the District to the Trustee and designated by the District as a prepayment of Special Taxes for one or more parcels in the District made in accordance with the Rate and Method.

“**Principal Account**” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

“Principal Office of the Trustee” means the office of the Trustee located in Los Angeles, California, or such other office or offices as the Trustee may designate from time to time, or the office of any successor Trustee where it principally conducts its business of serving as trustee under indentures pursuant to which municipal or governmental obligations are issued.

“Project” means those public facilities described in the Resolution of Formation which were acquired or constructed within and outside of the District with the proceeds of the 2007 Bonds, including all engineering, planning and design services and other incidental expenses related to such facilities and other facilities, if any, authorized by the qualified electors within the District from time to time.

“Rate and Method” means the document by such name attached to the Resolution of Formation.

“Rating Agency” means Moody’s and Standard & Poor’s, or both, as the context requires.

“Rebate Account” means the account by that name created and established in the Rebate Fund pursuant to the Indenture.

“Rebate Fund” means the fund by that name established pursuant to the Indenture in which there are established the Accounts described in the Indenture.

“Rebate Regulations” means any final, temporary or proposed Regulations promulgated under Section 148(f) of the Code.

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

“Redemption Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

“Regulations” means the regulations adopted or proposed by the Department of Treasury from time to time with respect to obligations issued pursuant to Section 103 of the Code.

“Representation Letter” means the Blanket Representation Letter from the District to the Depository as described in the Indenture.

“Reserve Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

“Reserve Requirement” means, as of the date of calculation, an amount equal to the least of: (a) Maximum Annual Debt Service; (b) 125% of average Annual Debt Service on the then-Outstanding Bonds and any Parity Bonds; or (c) 10% of the initial outstanding principal amount of the Bonds and any Parity Bonds.

“Resolution of Formation” means Resolution No. 2005-104 adopted by the City Council of the City on October 25, 2005, pursuant to which the City formed the District.

“Sinking Fund Payment” means the annual payment to be deposited in the Redemption Account to redeem a portion of the Term Bonds in accordance with the schedules set forth in the Indenture and any annual sinking fund payment schedule to retire any Parity Bonds that are designated as Term Bonds.

“Six-Month Period” means the period of time beginning on the Delivery Date of each issue of Bonds or Parity Bonds, as applicable, and ending six consecutive months thereafter, and each six-month period thereafter until the latest maturity date of the Bonds and the Parity Bonds (and any obligations that refund an issue of the Bonds or Parity Bonds).

“Special Tax Fund” means the fund by that name created and established pursuant to the Indenture.

“**Special Taxes**” means the taxes authorized to be levied by the District on property within the District in accordance with the Ordinance, the Resolution of Formation, the Act and the voter approval obtained at the October 25, 2005 election in the District, including any scheduled payments and any Prepayments thereof, and the net proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and penalties and interest thereon.

“**Standard & Poor’s**” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, and its successors and assigns.

“**Supplemental Indenture**” means any supplemental indenture amending or supplementing the Indenture.

“**Surplus Fund**” means the fund by that name created and established pursuant to the Indenture.

“**Tax Certificate**” means the certificate by that name to be executed by the District on a Delivery Date to establish certain facts and expectations and which contains certain covenants relevant to compliance with the Code.

“**Tax-Exempt**” means, with reference to a Permitted Investment, a Permitted Investment the interest earnings on which are excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Code, other than one described in Section 57(a)(5)(C) of the Code.

“**Term Bonds**” means the Bonds maturing on September 1, 2037, and any term maturities of an issue of Parity Bonds as specified in a Supplemental Indenture.

“**Treasuries**” means non-callable direct obligations of the United States of America, including United States Treasury Notes, Certificates and Bonds and State and Local Government Series.

“**Trustee**” means Wilmington Trust, National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States, having a principal corporate trust office in Costa Mesa, California, and its successors or assigns, or any other bank, national banking association or trust company which may at any time be substituted in its place as provided in the Indenture and any successor thereto.

“**2007 Bonds**” means the Community Facilities District No. 5 of the City of Moreno Valley 2007 Special Tax Bonds issued on May 31, 2007 in the aggregate principal amount of \$5,870,000.

GENERAL AUTHORIZATION AND BOND TERMS

Type and Nature of Bonds and Parity Bonds. The District’s limited obligation to pay the principal of, premium, if any, and interest on the Bonds and any Parity Bonds from amounts in the Special Tax Fund (exclusive of the Administrative Expenses Account) is absolute and unconditional, free of deductions and without any abatement, offset, recoupment, diminution or set-off whatsoever. No Owner of the Bonds or any Parity Bonds may compel the exercise of the taxing power by the District (except as pertains to the Special Taxes) or the City or the forfeiture of any of their property. The principal of and interest on the Bonds and any Parity Bonds and premiums upon the redemption thereof, if any, are not a debt of the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction. The Bonds and any Parity Bonds are not 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 Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expenses Account) which are, under the terms of the Indenture and the Act, set aside for the payment of the Bonds, any Parity Bonds and interest thereon. Neither the members of the legislative body of the District or the City Council of the City nor any persons executing the Bonds or any Parity Bonds are liable personally on the Bonds or any Parity Bonds by reason of their issuance.

Notwithstanding anything to the contrary contained in the Indenture, the District is not required to advance any money derived from any source of income other than the Net Taxes for the payment of the interest on or the principal of the Bonds and any Parity Bonds, or for the performance of any covenants contained in the Indenture. The

District may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose.

Equality of Bonds and Parity Bonds and Pledge of Net Taxes. Pursuant to the Act and the Indenture, the Bonds and any Parity Bonds will be equally payable from and secured by a pledge and lien upon the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expenses Account), without priority for number, date of the Bonds or Parity Bonds, date of sale, date of execution or date of delivery, and the payment of the interest on and principal of the Bonds and any Parity Bonds and any premiums upon the redemption thereof will be exclusively paid from the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expenses Account), which have been set aside for the payment of the Bonds and any Parity Bonds. Amounts in the Special Tax Fund (other than the Administrative Expenses Account therein) will constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the Bonds and any Parity Bonds; and, so long as any of the Bonds and any Parity Bonds or interest thereon remains Outstanding, amounts in the Special Tax Fund will not be used for any other purpose, except as permitted by the Indenture or any Supplemental Indenture. Notwithstanding any provision contained in the Indenture to the contrary, Net Taxes deposited in the Rebate Fund and the Surplus Fund will no longer be considered to be pledged to the Bonds or any Parity Bonds, and none of the Rebate Fund, the Surplus Fund, the Costs of Issuance Fund or the Administrative Expenses Account of the Special Tax Fund will be construed as a trust fund held for the benefit of the Owners.

Nothing in the Indenture or any Supplemental Indenture precludes: (a) subject to the limitations contained under the Indenture, the redemption prior to maturity of any Bonds or Parity Bonds subject to call and redemption, and the payment of said Bonds or Parity Bonds from proceeds of refunding bonds issued under the Act as the same now exists or as later amended, or under any other law of the State of California; or (b) the issuance, subject to the limitations contained in the Indenture, of Parity Bonds which are payable from Net Taxes.

Description of Bonds; Interest Rates. The District and the Trustee may treat and consider the person in whose name each Bond is registered in the Bond Register as the holder and absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee will pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners or their respective attorneys duly authorized in writing, and all such payments will be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner will receive a certificated Bond evidencing the obligation of the District to make payments of principal, premium, if any, and interest pursuant to the Indenture.

Interest will be payable on each Bond and Parity Bond from the date established in accordance with the Indenture on each Interest Payment Date thereafter until the principal sum of such Bond or Parity Bond has been paid; provided, however, that if at the maturity date of any Bond or Parity Bond (or if the same is redeemable and will be duly called for redemption, then at the date fixed for redemption) funds are available for the payment or redemption thereof in full, in accordance with the terms of the Indenture, such Bonds and Parity Bonds will then cease to bear interest. Interest due on the Bonds and Parity Bonds will be calculated on the basis of a 360 day year comprised of twelve 30 day months.

Bond Register. The Trustee will keep or cause to be kept, at its office, sufficient books for the registration and transfer of the Bonds and any Parity Bonds which will upon reasonable prior notice be open to inspection by the District during all regular business hours, and, subject to the limitations set forth in the Indenture, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register, transfer or cause to be transferred on said Bond Register, Bonds and any Parity Bonds as provided in the Indenture.

The District and the Trustee may treat the Owner of any Bond or Parity Bond whose name appears on the Bond Register as the absolute Owner thereof for any and all purposes, and the District and the Trustee will not be affected by any notice to the contrary. The District and the Trustee may rely on the address of the Bondowner as it appears in the Bond Register for any and all purposes. It is the duty of the Bondowner to give written notice to the Trustee of any change in the Bondowner's address so that the Bond Register may be revised accordingly.

Mutilated, Lost, Destroyed or Stolen Bonds or Parity Bonds. If any Bond or Parity Bond becomes mutilated, the District will execute, and the Trustee will authenticate and deliver, a new Bond or Parity Bond of like tenor, date, issue and maturity in exchange and substitution for the Bond or Parity Bond so mutilated, but only upon surrender to the Trustee of the Bond or Parity Bond so mutilated. Every mutilated Bond or Parity Bond so surrendered to the Trustee will be cancelled by the Trustee pursuant to the Indenture. If any Bond or Parity Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and, if any indemnity satisfactory to the Trustee is given, the District will execute and the Trustee will authenticate and deliver a new Bond or Parity Bond, as applicable, of like tenor, maturity and issue, numbered and dated as the Trustee will determine in lieu of and in substitution for the Bond or Parity Bond so lost, destroyed or stolen. Any Bond or Parity Bond issued in lieu of any Bond or Parity Bond alleged to be mutilated, lost, destroyed or stolen, will be equally and proportionately entitled to the benefits of the Indenture with all other Bonds and Parity Bonds issued thereunder. The Trustee will not treat both the original Bond or Parity Bond and any replacement Bond or Parity Bond as being Outstanding for the purpose of determining the principal amount of Bonds or Parity Bonds which may be executed, authenticated and delivered under the Indenture or for the purpose of determining any percentage of Bonds or Parity Bonds Outstanding thereunder, but both the original and replacement Bond or Parity Bond will be treated as one and the same. Notwithstanding any other provision of the Indenture, in lieu of delivering a new Bond or Parity Bond which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such Bonds or Parity Bonds.

Validity of Bonds and Parity Bonds. The validity of the authorization and issuance of the Bonds and any Parity Bonds will not be affected in any way by any defect in any proceedings taken by the District for the refunding of the 2007 Bonds, or by the invalidity, in whole or in part, of any contracts made by the District in connection therewith, and will not be dependent upon the completion of the refunding of the 2007 Bonds or upon the performance by any Person of such Person's obligation with respect to the Project, and the recital contained in the Bonds or any Parity Bonds that the same are issued pursuant to the Act and other applicable laws of the State of California will be conclusive evidence of their validity and of the regularity of their issuance.

Book Entry System.

(a) Election of Book Entry System. Prior to the issuance of the Bonds and any Parity Bonds, the District may provide that such Bonds and Parity Bonds will be initially issued as book entry bonds. If the District elects to deliver any Bonds or Parity Bonds in book entry form, then the District will cause the delivery of a separate single fully registered bond (which may be typewritten) for each maturity date of such Bonds or Parity Bonds in an authorized denomination corresponding to that total principal amount of the Bonds or Parity Bonds designated to mature on such date. Upon initial issuance, the ownership of each such Bond or Parity Bond will be registered in the Bond Register in the name of the Nominee, as nominee of the Depository, and ownership of the Bonds or Parity Bonds, or any portion thereof may not thereafter be transferred except as provided in the Indenture.

With respect to book entry Bonds or Parity Bonds, the District and the Trustee have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book entry bonds. Without limiting the immediately preceding sentence, the District and the Trustee have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in book entry bonds; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the Bond Register, of any notice with respect to book entry bonds, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in book entry bonds to be redeemed in the event that the District redeems the Bonds or Parity in part; or (iv) the payment by the Depository or any Participant or any other person, of any amount of principal of, premium, if any, or interest on book entry bonds. The District and the Trustee may treat and consider the person in whose name each book entry bond is registered in the Bond Register as the absolute Owner of such book entry bond for the purpose of payment of principal of, premium and interest on such Bond or Parity Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond or Parity Bond, for the purpose of registering transfers with respect to such Bond or Parity Bonds, and for all other purposes whatsoever. The Trustee will pay all principal of, premium, if any, and interest on the Bonds or Parity Bonds only to or upon the order of the respective Owner, as shown in the Bond Register, or such Owner's respective attorney duly authorized in writing, and all such payments will be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds or Parity Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in

the Bond Register, will receive a Bond or Parity Bond evidencing the obligation to make payments of principal of, premium, if any, and interest on the Bonds or Parity Bonds. Upon delivery by the Depository to the District and the Trustee, of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions in the Indenture with respect to Record Dates, the word Nominee in the Indenture will refer to such nominee of the Depository.

(b) Delivery of Representation Letter. In order to qualify the book entry bonds for the Depository's book entry system, the District and the Trustee (if required by the Depository) will execute and deliver to the Depository a Representation Letter. The execution and delivery of a Representation Letter will not in any way impose upon the District or the Trustee any obligation whatsoever with respect to persons having interests in such book entry bonds other than the Owners, as shown on the Bond Register. By executing a Representation Letter, the Trustee will agree to take all action necessary at all times so that the Trustee will be in compliance with all representations of the Trustee in such Representation Letter. In addition to the execution and delivery of a Representation Letter, the District and the Trustee will take such other actions, not inconsistent with the Indenture, as are reasonably necessary to qualify book entry bonds for the Depository's book entry program.

(c) Selection of Depository. In the event that: (i) the Depository determines not to continue to act as securities depository for book entry bonds; or (ii) the District determines that continuation of the book entry system is not in the best interest of the beneficial owners of the Bonds, the Parity Bonds or the District, then the District will discontinue the book entry system with the Depository. If the District determines to replace the Depository with another qualified securities depository, the District will prepare or direct the preparation of a new single, separate, fully registered bond for each of the maturity dates of such book entry bonds, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in the Indenture. If the District fails to identify another qualified securities depository to replace the Depository, then the Bonds or Parity Bonds will no longer be restricted to being registered in such Bond Register in the name of the Nominee, but will be registered in whatever name or names the Owners transferring or exchanging such Bonds or Parity Bonds designate, in accordance with the provisions of the Indenture.

(d) Payments To Depository. Notwithstanding any other provision of the Indenture to the contrary, so long as all Outstanding Bonds or Parity Bonds are held in book entry form and registered in the name of the Nominee, all payments of principal of, redemption premium, if any, and interest on such Bonds or Parity Bonds and all notices with respect thereto will be made and given, respectively to the Nominee, as provided in the Representation Letter or as otherwise instructed by the Depository and agreed to by the Trustee notwithstanding any inconsistent provisions in the Indenture.

(e) Transfer of Bonds to Substitute Depository.

(1) The Bonds will be initially issued as provided in the Indenture. Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except: (i) to any successor of the Depository or its nominee, or of any substitute depository designated pursuant to clause (ii) below (a "**Substitute Depository**"); provided that any successor of the Depository or Substitute Depository is qualified under any applicable laws to provide the service proposed to be provided by it; (ii) to any Substitute Depository, upon: (I) the resignation of the Depository or its successor (or any Substitute Depository or its successor) from its functions as depository; or (II) a determination by the District that the Depository (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository is qualified under any applicable laws to provide the services proposed to be provided by it; or (iii) to any person as provided below, upon: (I) the resignation of the Depository or its successor (or any Substitute Depository or its successor) from its functions as depository; or (II) a determination by the District that the Depository or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(2) In the case of any transfer pursuant to clauses (i) or (ii) of clause (1), upon receipt of all Outstanding Bonds by the Trustee, together with a written request of the District to the Trustee designating the Substitute Depository, a single new Bond, which the District will prepare or cause to be prepared, will be issued for each maturity of Bonds then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such written request of the District. In the case of any transfer pursuant to clause (iii) of clause (1), upon receipt of all Outstanding Bonds by the Trustee, together with a written

request of the District to the Trustee, new Bonds, which the District will prepare or cause to be prepared, will be issued in such denominations and registered in the names of such persons as are requested in such written request of the District, subject to the limitations of the Indenture; provided that the Trustee is not required to deliver such new Bonds within a period of less than 60 days from the date of receipt of such written request from the District.

(3) In the case of a partial redemption or an advance refunding of any Bonds evidencing a portion of the principal maturing in a particular year, the Depository or its successor (or any Substitute Depository or its successor) will make an appropriate notation on such Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee, all in accordance with the Representation Letter. The Trustee is not liable for such Depository's failure to make such notations or errors in making such notations and the records of the Trustee as to the Outstanding principal amount of such Bonds will be controlling.

(4) The District and the Trustee are entitled to treat the person in whose name any Bond is registered as the Owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the District; and the District and the Trustee have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Bonds. Neither the District nor the Trustee have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including the Depository or its successor (or Substitute Depository or its successor), except to the Owner of any Bonds, and the Trustee may rely conclusively on its records as to the identity of the Owners of the Bonds.

Initial Depository and Nominee. The initial Depository under the Indenture will be The Depository Trust Company, New York, New York. The initial Nominee will be Cede & Co., as Nominee of The Depository Trust Company, New York, New York.

CREATION OF FUNDS AND APPLICATION OF PROCEEDS

Creation of Funds; Application of Proceeds.

(a) There have been created and established and will be maintained by the Trustee the following funds and accounts:

(1) The Community Facilities District No. 5 of the City Moreno Valley Special Tax Refunding Bonds, Series 2021 Special Tax Fund (the "**Special Tax Fund**") (in which there is established and created an Interest Account, a Principal Account, a Redemption Account, a Reserve Account and an Administrative Expenses Account).

(2) The Community Facilities District No. 5 of the City of Moreno Valley Special Tax Refunding Bonds, Series 2021 Rebate Fund (the "**Rebate Fund**") (in which there is established a Rebate Account and an Alternative Penalty Account).

(3) The Community Facilities District No. 5 of the City of Moreno Valley Special Tax Refunding Bonds, Series 2021 Costs of Issuance Fund (the "**Costs of Issuance Fund**").

(4) The Community Facilities District No. 5 of the City of Moreno Valley Special Tax Refunding Bonds, Series 2021 Surplus Fund (the "**Surplus Fund**").

The amounts on deposit in the foregoing funds, accounts and subaccounts will be held by the Trustee and the Trustee will invest and disburse the amounts in such funds, accounts and subaccounts in accordance with the provisions of the Indenture and disburse investment earnings thereon in accordance with the provisions of the Indenture. The Trustee may, in its discretion, establish temporary funds or accounts in its books and records to facilitate such transfers.

In connection with the issuance of any Parity Bonds, the Trustee, at the direction of an Authorized Representative of the District, may create new funds, accounts or subaccounts, or may create additional accounts and

subaccounts within any of the foregoing funds and accounts for the purpose of separately accounting for the proceeds of the Bonds and any Parity Bonds.

Deposits to and Disbursements from Special Tax Fund.

(a) Except for the portion of any Prepayment to be deposited in the Redemption Account as specified in a Certificate of an Authorized Representative, the Trustee will, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund to be held in trust for the Owners. The Trustee will transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the Indenture, in the following order of priority, to: (1) the Administrative Expenses Account of the Special Tax Fund; (2) the Interest Account of the Special Tax Fund; (3) the Principal Account of the Special Tax Fund; (4) the Redemption Account of the Special Tax Fund; (5) the Reserve Account of the Special Tax Fund; (6) the Rebate Fund; and (7) the Surplus Fund.

(b) Upon the maturity of all of the Bonds and Parity Bonds and, after all principal and interest then due on the Bonds and Parity Bonds then Outstanding has been paid or provided for and any amounts owed to the Trustee have been paid in full, moneys in the Special Tax Fund and any accounts therein may be used by the District for any lawful purpose.

Administrative Expenses Account of the Special Tax Fund. The Trustee will transfer from the Special Tax Fund and deposit in the Administrative Expenses Account of the Special Tax Fund from time to time amounts necessary to make timely payment of Administrative Expenses as set forth in a Certificate of an Authorized Representative of the District. Moneys in the Administrative Expenses Account of the Special Tax Fund may be invested in any Permitted Investments as directed in writing by an Authorized Representative of the District and will be disbursed as directed in a Certificate of an Authorized Representative.

Interest Account and Principal Account of the Special Tax Fund. The principal of (including any Sinking Fund Payment) and interest due on the Bonds and any Parity Bonds until maturity, other than principal due upon redemption under the Indenture, will be paid by the Trustee from the Principal Account and the Interest Account of the Special Tax Fund, respectively. For the purpose of assuring that the payment of principal of (including any Sinking Fund Payment) and interest on the Bonds and any Parity Bonds will be made when due, after making the transfer to the Administrative Expenses Account, at least one Business Day prior to each March 1 and September 1, the Trustee will make the following transfers from the Special Tax Fund first to the Interest Account and then to the Principal Account; provided, however, that to the extent that deposits have been made in the Interest Account or the Principal Account from the proceeds of the sale of an issue of the Bonds, any Parity Bonds, or otherwise, the transfer from the Special Tax Fund need not be made; and provided, further, that, if amounts in the Special Tax Fund (exclusive of the Reserve Account) are inadequate to make the foregoing transfers, then any deficiency will be made up by an immediate transfer from the Reserve Account:

(a) To the Interest Account, an amount such that the balance in the Interest Account one Business Day prior to each Interest Payment Date is equal to the installment of interest due on the Bonds and any Parity Bonds on said Interest Payment Date and any installment of interest due on a previous Interest Payment Date that remains unpaid. Moneys in the Interest Account will be used for the payment of interest on the Bonds and any Parity Bonds as the same become due.

(b) To the Principal Account, an amount such that the balance in the Principal Account one Business Day prior to September 1 of each year equals the principal payment (including any Sinking Fund Payment) due on the Bonds and any Parity Bonds maturing on such September 1 and any principal payment due on a previous September 1 which remains unpaid. Moneys in the Principal Account will be used for the payment of the principal (including any Sinking Fund Payment) of such Bonds and any Parity Bonds as the same become due at maturity.

Redemption Account of the Special Tax Fund.

(a) After making the deposits to the Administrative Expenses Account, the Interest Account and the Principal Account of the Special Tax Fund pursuant to the Indenture, or to call Parity Bonds for optional redemption

as set forth in any Supplemental Indenture for Parity Bonds, the Trustee will transfer from the Special Tax Fund and deposit in the Redemption Account moneys available for the purpose and sufficient to pay the principal and the premiums, if any, payable on the Bonds or Parity Bonds called for optional redemption; provided, however, that amounts in the Special Tax Fund (other than the Administrative Expenses Account therein) may be applied to optionally redeem Bonds and Parity Bonds only if immediately following such redemption the amount in the Reserve Account will equal the Reserve Requirement, as determined by the District.

(b) Prepayments deposited to the Redemption Account will be applied on the redemption date established pursuant to the extraordinary redemption provisions of the Indenture for the use of such Prepayments to the payment of the principal of, premium, and interest on the Bonds and Parity Bonds to be redeemed with such Prepayments.

(c) Moneys set aside in the Redemption Account will be used solely for the purpose of redeeming Bonds and Parity Bonds, will be applied on or after the redemption date to the payment of principal of and premium, if any, on the Bonds or Parity Bonds to be redeemed upon presentation and surrender (if required) of such Bonds or Parity Bonds and, in the case of an optional redemption or an extraordinary redemption from Prepayments, to pay the interest thereon; provided, however, that in lieu or partially in lieu of such call and redemption, moneys deposited in the Redemption Account may be used to purchase Outstanding Bonds or Parity Bonds in the manner provided in the Indenture. Purchases of Outstanding Bonds or Parity Bonds may be made by the District at public or private sale as and when and at such prices as the District may in its discretion determine, but only at prices (including brokerage or other expenses) not more than par plus accrued interest, plus, in the case of moneys set aside for an optional redemption or an extraordinary redemption, the premium applicable at the next following call date according to the premium schedule established pursuant to the optional redemption provisions of the Indenture, or in the case of Parity Bonds the premium established in any Supplemental Indenture. Any accrued interest payable upon the purchase of Bonds or Parity Bonds may be paid from the amount reserved in the Interest Account of the Special Tax Fund for the payment of interest on the next following Interest Payment Date.

Rebate Fund.

(a) The Trustee will establish and maintain a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund and will establish a separate Rebate Account and Alternative Penalty Account therein. All money at any time deposited in the Rebate Account or the Alternative Penalty Account of the Rebate Fund will be held by the Trustee in trust, for payment to the United States Treasury. A separate subaccount of the Rebate Account and the Alternative Penalty Account will be established for the Bonds and each issue of Parity Bonds the interest on which is excluded from gross income for federal income tax purposes. All amounts on deposit in the Rebate Fund with respect to the Bonds or an issue of Parity Bonds will be governed by the Indenture and the Tax Certificate for such issue, unless the District obtains an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest payments on the Bonds and Parity Bonds will not be adversely affected if such requirements are not satisfied.

(1) Rebate Account. The following requirements will be satisfied with respect to each subaccount of the Rebate Account:

(i) Annual Computation. Within 55 days of the end of each Bond Year, the District will calculate or cause to be calculated the amount of rebatable arbitrage for the Bonds and each issue of Parity Bonds to which the Rebate Fund provisions of the Indenture are applicable, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Rebate Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage described in the Tax Certificate for each issue (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the “**1½% Penalty**”) has been made), for such purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Rebate Regulations (the “**Rebatable Arbitrage**”). The District will obtain expert advice as to the amount of the Rebatable Arbitrage to comply with the foregoing requirements.

(ii) Annual Transfer. Within 55 days of the end of each Bond Year for which Rebatable Arbitrage must be calculated as required by the Tax Certificate for each issue, upon the written direction of

an Authorized Representative of the District, an amount will be deposited to each subaccount of the Rebate Account by the Trustee from any funds so designated by the District if and to the extent required, so that the balance in the Rebate Account equals the amount of Rebatable Arbitrage so calculated by or on behalf of the District in accordance with clause (a)(1)(i) with respect to the Bonds and each issue of Parity Bonds to which the Rebate Fund provisions of the Indenture are applicable. In the event that immediately following any transfer required by the previous sentence, or the date on which the District determines that no transfer is required for such Bond Year, the amount then on deposit to the credit of the applicable subaccount of the Rebate Account exceeds the amount required to be on deposit therein, upon written instructions from an Authorized Representative of the District, the Trustee will withdraw the excess from the appropriate subaccount of the Rebate Account and then credit the excess to the Special Tax Fund.

(iii) Payment to the Treasury. The Trustee will pay, as directed in writing by an Authorized Representative of the District, to the United States Treasury, out of amounts in each subaccount of the Rebate Account: (X) not later than 60 days after the end of: (A) the fifth Bond Year for the Bonds and each issue of Parity Bonds to which the Rebate Fund provisions of the Indenture are applicable; and (B) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year for the Bonds and each issue of Parity Bonds, as applicable; and (Y) not later than 60 days after the payment or redemption of all of the Bonds or an issue of Parity Bonds, as applicable, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

In the event that, prior to the time that any payment is required to be made from the Rebate Account, the amount in the Rebate Account is not sufficient to make such payment when such payment is due, the District will calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to the Rebate Fund provisions of the Indenture will be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and will be accompanied by Internal Revenue Service Form 8038-T, or will be made in such other manner as provided under the Code. The Trustee may rely conclusively upon the District's determinations, calculations and certifications required by the foregoing provisions. The Trustee has no responsibility to independently make any calculation or determination or to review the District's calculations under the Indenture.

(2) Alternative Penalty Account.

(i) Six Month Computation. If the 1½% Penalty has been elected for the Bonds or an issue of Parity Bonds, within 85 days of each particular Six Month Period, the District will determine or cause to be determined whether the 1½% Penalty is payable (and the amount of such penalty) as of the close of the applicable Six Month Period. The District will obtain expert advice in making such determinations.

(ii) Six Month Transfer. Within 85 days of the close of each Six Month Period, the Trustee, at the written direction of an Authorized Representative of the District, will deposit an amount in the appropriate subaccounts of the Alternative Penalty Account from any source of funds held by the Trustee pursuant to the Indenture and designated by the District in such written directions or provided to it by the District, if and to the extent required, so that the balance in each subaccount of the Alternative Penalty Account equals the amount of 1½% Penalty due and payable to the United States Treasury determined as provided in clause (a)(2)(i). In the event that immediately following any transfer provided for in the previous sentence, or the date on which the District determines that no transfer is required for such Bond Year, the amount then on deposit in a subaccount of the Alternative Penalty Account exceeds the amount required to be on deposit therein to make the payments required by clause (a)(2)(iii), the Trustee, at the written direction of an Authorized Representative of the District, may withdraw the excess from the applicable subaccount of the Alternative Penalty Account and credit the excess to the Special Tax Fund.

(iii) Payment to the Treasury. The Trustee will pay, as directed in writing by an Authorized Representative of the District, to the United States Treasury, out of amounts in a subaccount of the Alternative Penalty Account, not later than 90 days after the close of each Six Month Period the 1½% Penalty, if applicable and payable, computed with respect to the Bonds and any issue of Parity Bonds in accordance with Section 148(f)(4) of the Code. In the event that, prior to the time that any payment is required to be made from a subaccount of the Alternative Penalty Account, the amount in such subaccount is not sufficient to make such payment when such

payment is due, the District will calculate the amount of such deficiency and direct the Trustee, in writing, to deposit an amount equal to such deficiency into such subaccount of the Alternative Penalty Account from any funds held by the Trustee pursuant to the Indenture and designated by the District in such written directions prior to the time such payment is due. Each payment required to be made pursuant to the Rebate Fund provisions of the Indenture will be made to the Internal Revenue Service, Ogden, Utah 84201 on or before the date on which such payment is due, and will be accompanied by Internal Revenue Service Form 8038-T or will be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Accounts of the Rebate Fund with respect to the Bonds or an issue of Parity Bonds after redemption and payment of such issue and after making the payments described in clauses (a)(1)(iii) or (a)(2)(iii) (whichever is applicable), may be withdrawn by the Trustee at the written direction of the District and utilized in any manner by the District.

(c) Survival of Defeasance and Final Payment. Notwithstanding anything in the Indenture to the contrary, the obligation to comply with the Rebate Fund requirements of the Indenture will survive the defeasance and final payment of the Bonds and any Parity Bonds with respect to which an Account has been created in the Rebate Fund.

(d) Amendment Without Consent of Owners. The Rebate Fund provisions of the Indenture may be deleted or amended in any manner without the consent of the Owners, provided that prior to such event there is delivered to the District an opinion of Bond Counsel to the effect that such deletion or amendment will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any issue of Parity Bonds issued on a tax exempt basis.

Surplus Fund. After making the transfers required by the Indenture, as soon as practicable after each September 1, and in any event prior to each October 1, the 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 of the District 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 pursuant to the Indenture. Moneys deposited in the Surplus Fund will be transferred by the Trustee at the direction of an Authorized Representative of the District: (a) to the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund to pay the principal of, including Sinking Fund Payments, premium, if any, and interest on the Bonds and any Parity Bonds when due in the event that moneys in the Special Tax Fund and the Reserve Account of the Special Tax Fund are insufficient therefor; (b) to the Reserve Account in order to replenish the Reserve Account to the Reserve Requirement; (c) to the Administrative Expenses Account of the Special Tax Fund to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expenses Account of the Special Tax Fund are insufficient to pay Administrative Expenses; or (d) for any other lawful purpose of the District.

The amounts in the Surplus Fund are not pledged to the repayment of the Bonds or the Parity Bonds and may be used by the District for any lawful purpose. In the event that the District reasonably expects to use any portion of the moneys in the Surplus Fund to pay debt service on any Outstanding Bonds or Parity Bonds, the District will notify the Trustee in a Certificate of an Authorized Representative and the Trustee will segregate such amount into a separate subaccount and the moneys on deposit in such subaccount of the Surplus Fund will be invested at the written direction of the District in Permitted Investments the interest on which is excludable from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals and corporations under the Code) or in Permitted Investments at a yield not in excess of the yield on the issue of Bonds or Parity Bonds to which such amounts are to be applied, unless, in the opinion of Bond Counsel, investment at a higher yield will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes.

Costs of Issuance Fund. The moneys in the Costs of Issuance Fund will be disbursed by the Trustee pursuant to a Certificate of an Authorized Representative of the District, and any balance therein will be transferred by the Trustee to the Interest Account as directed in writing by an Authorized Representative of the District or 90 days following the issuance of the Bonds, whichever is earlier. The Costs of Issuance Fund will thereafter be closed.

Investments. Moneys held in any of the funds, Accounts and subaccounts under the Indenture will be invested at the written direction of the District in accordance with the limitations set forth below only in Permitted Investments which will be deemed at all times to be a part of such funds, Accounts and subaccounts. Any loss resulting from such Permitted Investments will be credited or charged to the fund, Account or subaccount from which such investment was made, and any investment earnings on a fund, Account or subaccount will be applied as follows: (i) investment earnings on all amounts deposited in the Costs of Issuance Fund, the Special Tax Fund, the Surplus Fund and the Rebate Fund and each Account therein (other than the Reserve Account of the Special Tax Fund) will be deposited in those respective funds and Accounts; and (ii) investment earnings on all amounts deposited in the Reserve Account will be deposited therein to be applied as set forth in the Indenture. Moneys in the funds, Accounts and subaccounts held under the Indenture may be invested by the Trustee (as directed in writing filed by the District with the Trustee two Business Days in advance of the making of the investment) in Permitted Investments subject to the following restrictions:

(a) Moneys in the Costs of Issuance Fund and the Interest Account, the Principal Account and the Redemption Account of the Special Tax Fund will be invested only in Permitted Investments which will by their terms mature, or in the case of an investment agreement are available for withdrawal without penalty, on such dates so as to ensure the payment of principal of, premium, if any, and interest on the Bonds and any Parity Bonds as the same become due.

(b) Moneys in the Reserve Account of the Special Tax Fund may be invested only in Permitted Investments which, taken together, have a weighted average maturity not in excess of five years; provided that such amounts may be invested in an investment agreement to the later of the final maturity of the Bonds or any Parity Bonds so long as such amounts may be withdrawn at any time, without penalty, for application in accordance with the Indenture; and provided that no such Permitted Investment of amounts in the Reserve Account allocable to the Bonds or an issue of Parity Bonds will mature later than the respective final maturity date of the Bonds or the issue of Parity Bonds, as applicable.

(c) Moneys in the Rebate Fund will be invested only in Permitted Investments of the type described in clause (a) of the definition thereof which by their terms will mature, as nearly as practicable, on the dates such amounts are needed to be paid to the United States Government pursuant to the Indenture, or in Permitted Investments of the type described in clause (g) of the definition thereof.

(d) In the absence of written investment directions from the District, the Trustee will hold such moneys uninvested.

The Trustee will sell, or present for redemption, any Permitted Investment as directed in writing by the District whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer to such funds and Accounts or from such funds and Accounts. For the purpose of determining at any given time the balance in any such funds and Accounts, any such investments constituting a part of such funds and Accounts will be valued at their cost, except that amounts in the Reserve Account will be valued at the market value thereof at least semiannually on or before each Interest Payment Date. In making any valuations under the Indenture, the Trustee may utilize such computerized securities pricing services as may be available to it, including, without limitation, those available through its regular accounting system, and conclusively rely thereon. Notwithstanding anything in the Indenture to the contrary, the Trustee will not be responsible for any loss from investments, sales or transfers undertaken in accordance with the provisions of the Indenture.

The Trustee or an affiliate may act as principal or agent in the making or disposing of any investment and will be entitled to its customary fee for such investment. The Trustee may sell, or present for redemption, any Permitted Investment so purchased whenever it is necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Permitted Investment is credited, and, subject to the provisions of the Indenture, the Trustee will not be liable or responsible for any loss resulting from such investment. For investment purposes, the Trustee may commingle the funds and accounts established under the Indenture, but will account for each separately. The parties acknowledge that the Trustee is not providing investment supervision, recommendations, or advice.

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

REDEMPTION OF BONDS AND PARITY BONDS

Redemption of Bonds. In the event that the District elects to redeem Bonds as provided under the optional redemption provisions of the Indenture, the District will, at least 45 days prior to the redemption date, give written notice to the Trustee of its election to so redeem, the redemption date and the principal amount of the Bonds, among maturities, to be redeemed. In the event of redemption pursuant to the optional or extraordinary redemption provisions of the Indenture, the District will provide the Trustee with a revised sinking fund schedule giving effect to the redemption so completed.

The redemption provisions for Parity Bonds will be set forth in a Supplemental Indenture.

Selection of Bonds and Parity Bonds for Redemption. If less than all of the Bonds or Parity Bonds Outstanding are to be redeemed, the portion of any Bond or Parity Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or an integral multiple thereof. The Trustee will promptly notify the District in writing of the Bonds or Parity Bonds, or portions thereof, selected for redemption.

Partial Redemption of Bonds or Parity Bonds. Upon surrender by the Owner of a Bond, at the option of such Owner, for mandatory redemption at the Principal Office of the Trustee, payment of such mandatory redemption of the principal amount of a Bond will be paid to such Owner. Upon surrender of any Bond or Parity Bond to be redeemed in part only, the District will execute and the Trustee will authenticate and deliver to the Bondowner, at the expense of the District, a new Bond or Bonds or a new Parity Bond or Parity Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered, with the same interest rate and the same maturity or, in the case of surrender of a Parity Bond, a new Parity Bond or Parity Bonds subject to the foregoing limitations. Such mandatory redemption will be valid upon payment of the amount thereby required to be paid to such Owner, and the District and the Trustee will be released and discharged from all liability to the extent of such payment.

Effect of Notice and Availability of Redemption Money. Notice of redemption having been duly given, as provided in the Indenture, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption:

(a) the Bonds and Parity Bonds, or portions thereof, designated for redemption will, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in the Indenture or in any Supplemental Indenture with respect to any Parity Bonds, anything in the Indenture or in the Bonds or the Parity Bonds to the contrary notwithstanding;

(b) upon presentation and surrender thereof at the Principal Office of the Trustee, the redemption price of such Bonds and Parity Bonds will be paid to the Owners thereof;

(c) as of the redemption date, the Bonds or the Parity Bonds, or portions thereof so designated for redemption will be deemed to be no longer Outstanding and such Bonds or Parity Bonds, or portions thereof, will cease to bear further interest; and

(d) as of the date fixed for redemption, no Owner of any of the Bonds, Parity Bonds or portions thereof so designated for redemption will be entitled to any of the benefits of the Indenture or any Supplemental Indenture, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

COVENANTS AND WARRANTY

Security. The District will preserve and protect the security pledged under the Indenture to the Bonds and any Parity Bonds against all claims and demands of all persons.

Covenants. So long as any of the Bonds or Parity Bonds issued under the Indenture are Outstanding and unpaid, the District makes the following covenants with the Bondowners under the provisions of the Act and the Indenture (to be performed by the District or its proper officers, agents or employees), which covenants are necessary and desirable to secure the Bonds and Parity Bonds and tend to make them more marketable; provided, however, that said covenants do not require the District to expend any funds or moneys other than the Special Taxes and other amounts deposited to the Special Tax Fund:

(a) Punctual Payment; Against Encumbrances. The District has covenanted that it will receive all Special Taxes in trust for the Owners and will instruct the City Treasurer to deposit all Special Taxes with the Trustee immediately upon their apportionment to the District, and the District will have no beneficial right or interest in the amounts so deposited except as provided by the Indenture. All such Special Taxes will be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture, and will be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

The District has covenanted that it will duly and punctually pay or cause to be paid the principal of and interest on every Bond and Parity Bond issued under the Indenture, together with the premium, if any, thereon on the date, at the place and in the manner set forth in the Bonds and the Parity Bonds and in accordance with the Indenture to the extent that Net Taxes and other amounts pledged under the Indenture are available therefor, and that the payments into the funds and Accounts created thereunder will be made, all in strict conformity with the terms of the Bonds, any Parity Bonds, the Indenture and any Supplemental Indenture, and that it will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Supplemental Indentures and of the Bonds and any Parity Bonds issued under the Indenture.

The District will not mortgage or otherwise encumber, pledge or place any charge upon any of the Net Taxes except as provided in the Indenture, and will not issue any obligation or security having a lien or charge upon the Net Taxes superior to or on a parity with the Bonds, other than Parity Bonds. Nothing in the Indenture will prevent the District from issuing or incurring indebtedness that is payable from a pledge of Net Taxes which is subordinate in all respects to the pledge of Net Taxes to repay the Bonds and the Parity Bonds.

(b) Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Net Taxes or other funds in the Special Tax Fund (other than the Administrative Expenses Account therein), or which might impair the security of the Bonds or any Parity Bonds then Outstanding; provided, however, that nothing contained in the Indenture will require the District to make any such payments so long as the District in good faith contests the validity of any such claims.

(c) Books and Accounts. The District will keep proper books of records and accounts, separate from all other records and accounts of the District, in which complete and correct entries will be made of all transactions relating to the Project, the levy of the Special Tax and the deposits to the Special Tax Fund. Such books of records and accounts will at all times during business hours be subject to the inspection of the Trustee, the Owners of not less than 10% of the principal amount of the Bonds or the Owners of not less than 10% of any issue of Parity Bonds then Outstanding or their representatives authorized in writing.

(d) Federal Tax Covenants. Notwithstanding any other provision of the Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on the Bonds and any Parity Bonds issued on a tax-exempt basis for federal income tax purposes will not be adversely affected for federal income tax purposes, the District has covenanted to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and has specifically covenanted, without limiting the generality of the foregoing, as follows:

(1) Private Activity. The District will take no action or refrain from taking any action or make any use of the proceeds of the Bonds or any Parity Bonds or of any other moneys or property which would cause the

Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be “private activity bonds” within the meaning of Section 141 of the Code;

(2) Arbitrage. The District will make no use of the proceeds of the Bonds or any Parity Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(3) Federal Guaranty. The District will make no use of the proceeds of the Bonds or any Parity Bonds or take or omit to take any action that would cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(4) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code;

(5) Hedge Bonds. The District will make no use of the proceeds of the Bonds or any Parity Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds and any applicable Parity Bonds;

(6) Miscellaneous. The District will take no action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed on the Delivery Date by the District in connection with the Bonds and any issue of Parity Bonds and will comply with the covenants and requirements stated therein and incorporated by reference in the Indenture;

(7) Other Tax-Exempt Issues. The District will not use proceeds of other tax-exempt securities to redeem any Bonds or Parity Bonds without first obtaining the written opinion of Bond Counsel that doing so will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds issued on a tax-exempt basis; and

(8) Subsequent Opinions. If the District obtains a subsequent opinion of Bond Counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation (“SYCR”), where such opinion is required in connection with a change or amendment to the Indenture or the procedures set forth in the Tax Certificate, it will obtain an opinion substantially to the effect originally delivered by SYCR that interest on the Bonds and Parity Bonds which are the subject of such change or amendment is excluded from gross income for federal income tax purposes.

(e) Reduction of Maximum Special Taxes. The District has found and determined 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 that required 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 the foregoing reason, the District has determined that a reduction in the maximum Special Tax rates authorized to be levied on parcels in the District below the levels provided in the Indenture would interfere with the timely retirement of the Bonds and Parity Bonds. The District has determined it to be necessary in order to preserve the security for the Bonds and Parity Bonds to covenant, and, to the maximum extent that the law permits it to do so, the District has covenanted, that it will not initiate proceedings to reduce the maximum Special Tax rates for the District.

(f) Covenants to Defend. The District has covenanted that, in the event that any initiative is adopted by the qualified electors in the District which purports to reduce the maximum Special Tax below the levels specified in the Indenture or to limit the power of the District to levy the Special Taxes for the purposes set forth in the Indenture, it will commence and pursue legal action in order to preserve its ability to comply with such covenants.

(g) Limitation on Right to Tender Bonds. The District has covenanted that it will not adopt any policy pursuant to Section 53341.1 of the Act permitting the tender of Bonds or Parity Bonds in full payment or partial payment of any Special Taxes unless the District has first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Special Tax revenues to pay the principal of and interest on the Bonds and Parity Bonds when due.

(h) Continuing Disclosures. The District has covenanted to comply with the terms of the Continuing Disclosure Agreement and with the terms of any continuing disclosure agreement executed by the District with respect to any Parity Bonds in order to assist the underwriter thereof in complying with Rule 15(c)2-12 adopted by the Securities and Exchange Commission.

(i) Further Assurances. The District will make, execute and deliver any and all such further agreements, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Bonds and any Parity Bonds of the rights and benefits provided in the Indenture.

AMENDMENTS TO INDENTURE

Supplemental Indentures or Orders Not Requiring Bondowner Consent. The District may from time to time, and at any time, without notice to or consent of any of the Bondowners, adopt Supplemental Indentures for any of the following purposes:

(a) to cure any ambiguity, to correct or supplement any provisions in the Indenture which may be inconsistent with any other provision therein, or to make any other provision with respect to matters or questions arising under the Indenture or in any additional resolution or order, provided that such action is not materially adverse to the interests of the Bondowners;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in the Indenture, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Indenture as theretofore in effect or which further secure Bond or Parity Bond payments;

(c) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued, subject to and in accordance with the provisions of the Indenture;

(d) to modify, amend or supplement the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute later in effect, or to comply with the Code or regulations issued thereunder, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which do not materially adversely affect the interests of the Owners of the Bonds or any Parity Bonds then Outstanding;

(e) subject to the provisions of the Indenture, to modify, alter or amend the Rate and Method in any manner with respect to the Bonds and Parity Bonds Outstanding as of the date of such amendment; or

(f) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the Bondowners.

Supplemental Indentures or Orders Requiring Bondowner Consent. Exclusive of the Supplemental Indentures described under the caption "Supplemental Indentures or Orders Not Requiring Bondowner Consent," the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding have the right to consent to and approve the adoption by the District of such Supplemental Indentures as are deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing in the Indenture will permit, or be construed as permitting: (a) an extension of the maturity date of the principal, or the payment date of interest on, any Bond or Parity Bond; (b) a reduction in the principal amount of, or redemption premium on, any

Bond or Parity Bond or the rate of interest thereon; (c) a preference or priority of any Bond or Parity Bond over any other Bond or Parity Bond; or (d) a reduction in the aggregate principal amount of the Bonds and Parity Bonds the Owners of which are required to consent to such Supplemental Indenture, without the consent of the Owners of all Bonds and Parity Bonds then Outstanding.

If at any time the District desires to adopt a Supplemental Indenture, which pursuant to the terms of the Indenture require the consent of the Bondowners, the District will so notify the Trustee and deliver to the Trustee a copy of the proposed Supplemental Indenture. The Trustee will, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to all Bondowners at their addresses as they appear in the Bond Register. Such notice will briefly set forth the nature of the proposed Supplemental Indenture and state that a copy thereof is on file at the Principal Office of the Trustee for inspection by all Bondowners. The failure of any Bondowners to receive such notice will not affect the validity of such Supplemental Indenture when consented to and approved by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding as required by the Indenture. Whenever at any time within one year after the date of the first mailing of such notice, the Trustee receives an instrument or instruments purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding, which instrument or instruments refer to the proposed Supplemental Indenture described in such notice, and specifically consents to and approves the adoption thereof by the District substantially in the form of the copy referred to in such notice as on file with the Trustee, such proposed Supplemental Indenture, when duly adopted by the District, will thereafter become a part of the proceedings for the issuance of the Bonds and any Parity Bonds. In determining whether the Owners of a majority of the aggregate principal amount of the Bonds and Parity Bonds have consented to the adoption of any Supplemental Indenture, Bonds or Parity Bonds that are owned by the District, or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, will be disregarded and will be treated as though they were not Outstanding for the purpose of any such determination.

Upon the adoption of any Supplemental Indenture and the receipt of consent to any such Supplemental Indenture from the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds and Parity Bonds in instances where such consent is required pursuant to the provisions of the Indenture, the Indenture will be, and will be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District and all Owners of Outstanding Bonds and Parity Bonds will thereafter be determined, exercised and enforced thereunder, subject in all respects to such modifications and amendments.

Notation of Bonds or Parity Bonds; Delivery of Amended Bonds or Parity Bonds. After the effective date of any action taken as provided in the Indenture, the District may determine that the Bonds or any Parity Bonds may bear a notation, by endorsement in form approved by the District, as to such action, and in that case upon demand of the Owner of any Outstanding Bond or Parity Bond at such effective date and presentation of such Owner's Bond or Parity Bond for the purpose at the Principal Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation as to such action will be made on such Bonds or Parity Bonds. If the District so determines, new Bonds or Parity Bonds so modified as, in the opinion of the District, are necessary to conform to such action will be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond or Parity Bond at such effective date such new Bonds or Parity Bonds will be exchanged at the Principal Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, without cost to each Owner of Outstanding Bonds or Parity Bonds, upon surrender of such Outstanding Bonds or Parity Bonds.

In executing, or accepting the additional trusts created by any Supplemental Indenture permitted by the Indenture or the modification thereby of the trusts created by the Indenture, the Trustee is entitled to receive, and will be fully protected in relying upon, an opinion of counsel stating that the execution of such supplemental indenture is authorized or permitted by the Indenture and complies with the terms thereof. The Trustee may, but is not obligated to, enter into any such Supplemental Indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

TRUSTEE

Trustee. Wilmington Trust, National Association will be the Trustee for the Bonds and any Parity Bonds unless and until another Trustee is appointed by the District under the Indenture. The District may, at any time, appoint a successor Trustee satisfying the requirements of the Indenture for the purpose of receiving all money that the District is required to deposit with the Trustee thereunder and to allocate, use and apply the same as provided in the Indenture.

The Trustee is authorized to and will mail by first class mail, postage prepaid, or wire transfer in accordance with the Indenture, interest payments to the Bondowners, to select Bonds and Parity Bonds for redemption, and to maintain the Bond Register. The Trustee has been authorized to pay the principal of and premium, if any, on the Bonds and Parity Bonds when the same are duly presented to it for payment at maturity or on call and redemption, to provide for the registration of transfer and exchange of Bonds and Parity Bonds presented to it for such purposes, to provide for the cancellation of Bonds and Parity Bonds and to provide for the authentication of Bonds and Parity Bonds, and will perform all other duties assigned to or imposed on it as provided in the Indenture. The Trustee will keep accurate records of all funds administered by it and all Bonds and Parity Bonds paid, discharged and cancelled by it.

The Trustee is authorized to redeem the Bonds and Parity Bonds when duly presented for payment at maturity, or on redemption prior to maturity. The Trustee will cancel all Bonds and Parity Bonds upon payment thereof in accordance with the provisions of the Indenture.

The District will from time to time, subject to any agreement between the District and the Trustee then in force, pay to the Trustee compensation for its services, reimburse the Trustee for all of its advances and expenditures, including, but not limited to, advances to and fees and expenses of independent accountants or counsel employed by it in the exercise and performance of its powers and duties under the Indenture, and indemnify and save the Trustee, its officers, directors, employees and agents, harmless against costs, claims, expenses and liabilities, including, without limitation, fees and expenses of its attorneys, not arising from its own negligence or willful misconduct which it may incur in the exercise and performance of its powers and duties under the Indenture. The foregoing obligation of the District to indemnify the Trustee will survive the removal or resignation of the Trustee or the discharge of the Bonds.

Removal of Trustee. The District may at any time at its sole discretion, and will at the direction of a majority of the Owners, remove the Trustee initially appointed, and any successor thereto, by delivering to the Trustee a 30-day written notice of its decision to remove the Trustee. The District will appoint a successor or successors thereto, provided that any such successor is a bank, national banking association or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$100,000,000, and subject to supervision or examination by federal or state authority. If any bank, national banking association or trust company appointed as a successor publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Indenture, the combined capital and surplus of such bank, national banking association or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any removal of the Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee and notice being sent by the successor Trustee to the Bondowners of the successor Trustee's identity and address.

Resignation of Trustee. The Trustee may at any time resign and be discharged from its duties and obligations hereunder by giving written notice to the District and by giving to the Owners notice of such resignation, which notice will be mailed to the Owners at their addresses appearing in the registration books at the Principal Office of the Trustee. Upon receiving such notice of resignation, the District will promptly appoint a successor Trustee satisfying the criteria in the Indenture by an instrument in writing. Any resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee has been appointed and has accepted appointment within thirty (30) calendar days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee, at the sole expense of the District, or any Bondowner (on behalf of itself and all other Bondowners) may petition any court of competent jurisdiction for the appointment of a successor Trustee and other appropriate relief, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee or grant such other relief.

Liability of Trustee. The recitals of fact and all promises, covenants and agreements contained in the Indenture and in the Bonds and any Parity Bonds will be taken as statements, promises, covenants and agreements of the District, and the Trustee assumes no responsibility for the correctness of the same and makes no representations as to the validity or sufficiency of the Indenture, the Bonds or any Parity Bonds, and will incur no responsibility in respect thereof, other than in connection with its duties or obligations specifically set forth in the Indenture, in the Bonds and any Parity Bonds, or in the certificate of authentication assigned to or imposed upon the Trustee. The Trustee is under no responsibility or duty with respect to the issuance of the Bonds or any Parity Bonds for value. The Trustee will not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct.

The Trustee will be entitled to request and receive written instructions from the District and/or Owners and will have no responsibility or liability for any losses or damages of any nature that may arise from any action taken or not taken by the Trustee in accordance with the written direction of any such party. The Trustee will not be liable with respect to any action taken or omitted to be taken by it in accordance with the written direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

The Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of an Owner and/or the District, pursuant to the provisions of the Indenture, unless such party will have offered to the Trustee security or indemnity (satisfactory to the Trustee in its sole and absolute discretion) against the costs, expenses and liabilities which may be incurred by it in compliance with such request or direction. The immunities extended to the Trustee also extend to its directors, officers, employees and agents (including its counsel).

Neither the Trustee nor any of its directors, officers, employees, agents or affiliates will be responsible for nor have any duty to monitor the performance or any action of the District or any of its directors, members, officers, agents, affiliates or employee, nor will it have any liability in connection with the malfeasance or nonfeasance by such party. The Trustee may assume performance by all such persons of their respective obligations. The Trustee will have no enforcement or notification obligations relating to breaches of representations or warranties of any other person. The Trustee will be conclusively protected in acting upon any notice, resolution, request, consent, order, judgment, decree, certificate, report, Bond, Parity Bond, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee will be entitled to rely on and will not be liable for any action taken or omitted to be taken by the Trustee in accordance with the advice of counsel or other professionals retained or consulted by the Trustee. The Trustee may act through attorneys or agents and will not be responsible for the acts or omissions of any such attorney or agent appointed with due care. The Trustee may consult with counsel, who may be counsel to the District, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered under the Indenture in accordance therewith.

The Trustee is not bound to recognize any person as the Owner of a Bond or Parity Bond unless and until such Bond or Parity Bond is submitted for inspection, if required, and title thereto is satisfactorily established, if disputed.

Whenever in the administration of its duties under the Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, the Trustee may, at the expense of the District, request, rely on and act in accordance with officer's certificates and/or opinions of counsel (unless other evidence in respect thereof is specifically prescribed in the Indenture), and will incur no liability and will be fully protected in acting or refraining from acting in accordance with such officer's certificates and opinions of counsel, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee has no duty or obligation whatsoever to enforce the collection of Special Taxes or other funds to be deposited with it under the Indenture, or as to the correctness of any amounts received, but its liability is limited to the proper accounting for such funds as it actually receives. No provision in the Indenture requires the Trustee to

expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties thereunder, or in the exercise of its rights or powers.

The Trustee will not be deemed to have knowledge of any events or other information, or default or Event of Default, until an officer at the Principal Office of the Trustee who is responsible for the administration of its duties under the Indenture has actual knowledge thereof or the Trustee has received written notice thereof at the Principal Office of the Trustee.

The Trustee will not be considered in breach of or in default in its obligations under the Indenture and will not incur any liability for not performing any act or fulfilling any duty, obligation or responsibility hereunder, or progress in respect thereto in the event of enforced delay (“unavoidable delay”) in the performance of such obligations caused, directly or indirectly, by circumstances beyond its control, including without limitation, any act or provision of any present or future law or regulation or governmental authority; acts of God; earthquakes; fires; floods; wars; terrorism; civil or military disturbances; sabotage; epidemics; quarantine restrictions; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications service; accidents; labor disputes; acts of civil or military authority or governmental actions; or the unavailability of the Federal Reserve Bank wire or telex or other wire or communication facility. In no event will the Trustee be liable for incidental, indirect, punitive, special or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit), in connection with or arising out of the Project or the Indenture for the existence, furnishing, functioning or use and possession of the Project, irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

The Trustee will be entitled to request and receive written instructions from the District or other parties and will have no responsibility or liability for any losses or damages of any nature that may arise from any action taken or not taken by the Trustee in accordance with the written direction of the District or such other parties. The Trustee has the right to accept and act upon instructions, including funds transfer instructions (“**Instructions**”) given pursuant to the Indenture and delivered using Electronic Means. (“**Electronic Means**” means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services under the Indenture). The District will provide to the Trustee a Certificate of an Authorized Representative of the District listing officers with the authority to provide such Instructions (“**Authorized Officers**”) and containing specimen signatures of such Authorized Officers, which incumbency certificate will be amended by the District whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee’s understanding of such Instructions will be deemed controlling. The District has understood and agreed that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee will conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The District will be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the District and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District. The Trustee will not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding the fact that such directions conflict or are inconsistent with a subsequent written instruction. The District has agreed: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the District; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

The permissive right of the Trustee to do things enumerated in the Indenture will not be construed as a duty and it will not be answerable for other than its negligence or willful misconduct.

All immunities, indemnifications and releases from liability granted in the Indenture to the Trustee will extend to the directors, employees, officers and agents thereof.

The Trustee is under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request, order or direction of any of the Owners pursuant to the provisions of the Indenture unless such Owners have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

The Trustee will not be responsible for or accountable to anyone for the subsequent use or application of any moneys which are released or withdrawn in accordance with the provisions of the Indenture.

The Trustee may execute any of the trusts or powers of the Indenture and perform the duties required of it thereunder either directly or by or through attorneys or agents, will not be liable for the acts or omissions of such attorneys or agents appointed with due care, and will be entitled to rely on advice of counsel concerning all matters of trust and its duty under the Indenture.

The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants, duties or obligations will be read into the Indenture against the Trustee. These duties will be deemed purely ministerial in nature, and the Trustee will not be liable except for the performance of such duties, and no implied covenants or obligations will be read into the Indenture against the Trustee. In case an Event of Default has occurred (which has not been cured) the Trustee will exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

The Trustee has no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Bonds.

The Trustee is not required to determine the legality of any investments.

Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it is a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, will be the successor to the Trustee without the execution or filing of any paper or further act, anything in the Indenture to the contrary notwithstanding.

EVENTS OF DEFAULT; REMEDIES

Events of Default. Any one or more of the following events will constitute an “Event of Default”:

(a) default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond or Parity Bond when and as the same becomes due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) default in the due and punctual payment of the interest on any Bond or Parity Bond when and as the same becomes due and payable; or

(c) except as described in clauses (a) or (b), default by the District in the observance of any of the agreements, conditions or covenants on its part contained in the Indenture, the Bonds or any Parity Bonds, and such default continues for a period of 30 days after the District has been given notice in writing of such default by the Trustee or the Owners of 25% in aggregate principal amount of the Outstanding Bonds and Parity Bonds; provided, however, that such default will not constitute an Event of Default under the Indenture if the District commences to cure such default within said 30-day period and thereafter diligently and in good faith proceeds to cure such default within a reasonable period of time not to exceed 90 days after such notice.

The Trustee has agreed to give notice to the Owners as soon as practicable upon the occurrence of an Event of Default under clauses (a) or (b) above and within 30 days of the Trustee's knowledge of an event of default under clause (c) above.

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

(a) by mandamus or other suit or proceeding at law or in equity to enforce the Trustee's rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in the Indenture;

(b) by suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or

(c) by a suit in equity to require the District and its members, officers and employees to account as the trustee of an express trust.

If an Event of Default has occurred and is continuing and if requested so to do by the Owners of at least 25% in aggregate principal amount of Outstanding Bonds and Parity Bonds and if indemnified to its satisfaction, the Trustee will be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as the Trustee, being advised by counsel, deems most expedient in the interests of the Owners of the Bonds and Parity Bonds.

No remedy conferred upon or reserved to the Trustee or to the Owners in the Indenture is intended to be exclusive of any other remedy. Every such remedy will be cumulative and will be in addition to every other remedy given under the Indenture or now or later existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

Application of Revenues and Other Funds After Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture relating to the Bonds and Parity Bonds will be applied by the Trustee in the following order upon presentation of the several Bonds and Parity Bonds:

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

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

(a) first to the payment of all installments of interest on the Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing,

(b) second, to the payment of all installments of principal, including Sinking Fund Payments, of the Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing; and

(c) third, to the payment of interest on overdue installments of principal and interest on the Bonds and Parity Bonds on a pro rata basis based on the total amount then due and owing.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, has taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of 25% in aggregate principal amount of the Bonds

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

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

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

A waiver of any default or breach of duty or contract by the Trustee or any Owners will not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner of any of the Bonds or Parity Bonds to exercise any right or power accruing upon any default will impair any such right or power or be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or the Owners by the Act or by the Indenture may be enforced and exercised from time to time and as often as deemed expedient by the Trustee or the Owners, as the case may be.

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

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

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

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

DEFEASANCE AND PARITY BONDS

Defeasance. If the District will pay or cause to be paid, or there will otherwise be paid, to the Owner of an Outstanding Bond or Parity Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in the Indenture or any Supplemental Indenture, then the Owner of such Bond or Parity Bond will cease to be entitled to the pledge of Net Taxes, and, other than as set forth below, all covenants, agreements and other obligations of the District to the Owner of such Bond or Parity Bond under the Indenture and any Supplemental Indenture relating to such Parity Bond will thereupon cease, terminate and become void and be discharged and satisfied. In the event of a defeasance of all Outstanding Bonds and Parity Bonds pursuant to the Indenture, the Trustee will execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee will pay over or deliver to the District's general fund all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of, premium, if any, and interest due on such Bonds and Parity Bonds.

Any Outstanding Bond or Parity Bond will be deemed to have been paid within the meaning expressed in the Indenture if such Bond or Parity Bond is paid in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund (exclusive of the Administrative Expenses Account) and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same become due and payable; or
- (c) by depositing with the Trustee or another escrow bank appointed by the District, in trust, Federal Securities, in which the District may lawfully invest its money, in such amount as will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund (exclusive of the Administrative Expenses Account) and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same become due and payable.

If paid as provided above, then, at the election of the District, and notwithstanding that any Outstanding Bonds and Parity Bonds have not been surrendered for payment, all obligations of the District under the Indenture and any Supplemental Indenture with respect to such Bond or Parity Bond will cease and terminate, except for the obligation of the Trustee to pay or cause to be paid to the Owners of any such Bond or Parity Bond not so surrendered and paid, all sums due thereon and except for the covenants of the District contained in the Indenture or any Supplemental Indenture relating to compliance with the Code. Notice of such election will be filed with the Trustee not less than ten days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Trustee. In connection with a defeasance under clauses (b) or (c) above, there will be provided to the District a verification report from an independent nationally recognized certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Trustee or the escrow bank to pay and discharge the principal of, premium, if any, and interest on all Outstanding Bonds and Parity Bonds to be defeased in accordance with the Indenture, as and when the same become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Bonds or Parity Bonds being defeased have been legally defeased in accordance with the Indenture and any applicable Supplemental Indenture.

Upon a defeasance, the Trustee, upon request of the District, will release the rights of the Owners of such Bonds and Parity Bonds that have been defeased under the Indenture and any Supplemental Indenture and execute and deliver to the District all such instruments as may be desirable to evidence such release, discharge and satisfaction.

In the case of a defeasance under the Indenture of all Outstanding Bonds and Parity Bonds, the Trustee will pay over or deliver to the District any funds held by the Trustee at the time of a defeasance that are not required for the purpose of paying and discharging the principal of or interest on the Bonds and Parity Bonds when due. The Trustee will, at the written direction of the District, mail, first class, postage prepaid, a notice to the Bondowners whose Bonds or Parity Bonds have been defeased, in the form directed by the District, stating that the defeasance has occurred.

Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness. The District may at any time after the issuance and delivery of the Bonds under the Indenture issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund (other than in the Administrative Expenses Account therein) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be issued for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then Outstanding. Parity Bonds may be issued subject to the following additional specific conditions, which have been made conditions precedent to the issuance of any such Parity Bonds:

(a) The District is in compliance with all covenants set forth in the Indenture and any Supplemental Indenture then in effect, and a certificate of the District to that effect has been filed with the Trustee; provided, however, that Parity Bonds may be issued notwithstanding the fact that the District is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the District will be in compliance with all such covenants.

(b) The issuance of such Parity Bonds has been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Parity Bonds has been provided for by a Supplemental Indenture duly adopted by the District which specifies the following:

(1) the purpose for which such Parity Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited, including a provision requiring the proceeds of such Parity Bonds to be applied solely for the purpose of refunding any Outstanding Bonds or Parity Bonds, including payment of all costs and the funding of all reserves incidental to or connected with such refunding;

(2) the authorized principal amount of such Parity Bonds;

(3) the date and the maturity date or dates of such Parity Bonds; provided that: (i) each maturity date falls on a September 1; (ii) all such Parity Bonds of like maturity are identical in all respects, except as to number; and (iii) fixed serial maturities or Sinking Fund Payments, or any combination thereof, are established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates;

(4) the description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication;

(5) the denominations and method of numbering of such Parity Bonds;

(6) the amount and due date of each mandatory Sinking Fund Payment, if any, for such Parity Bonds;

(7) the amount, if any, to be deposited from the proceeds of such Parity Bonds in the Reserve Account of the Special Tax Fund to increase the amount therein to the Reserve Requirement;

(8) the form of such Parity Bonds; and

(9) such other provisions as are necessary or appropriate and not inconsistent with the Indenture.

(c) The Trustee has received the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the Delivery Date of such Parity Bonds by the Trustee (unless the Trustee accepts any of such documents bearing a prior date):

(1) a certified copy of the Supplemental Indenture authorizing the issuance of such Parity Bonds;

(2) a written request of the District as to the delivery of such Parity Bonds;

(3) an opinion of Bond Counsel to the effect that: (i) the District has the right and power under the Act to adopt the Indenture and the Supplemental Indentures relating to such Parity Bonds, and the Indenture and all such Supplemental Indentures have been duly and lawfully adopted by the District, are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (ii) the Indenture creates the valid pledge which it purports to create of the Net Taxes and other amounts as provided in the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture; and (iii) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Indenture and all Supplemental Indentures thereto and entitled to the benefits of the Indenture and all such Supplemental Indentures, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and the Indenture and all such Supplemental Indentures; and a further opinion of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds theretofore issued on a tax exempt basis, or the exemption from State of California personal income taxation of interest on any Outstanding Bonds and Parity Bonds theretofore issued;

(4) a certificate of the District containing such statements as may be reasonably necessary to show compliance with the requirements of the Indenture; and

(5) such further documents, money and securities as are required by the provisions of the Indenture and the Supplemental Indenture providing for the issuance of such Parity Bonds.

MISCELLANEOUS

Cancellation of Bonds and Parity Bonds. All Bonds and Parity Bonds surrendered to the Trustee for payment upon maturity or for redemption will be upon payment therefor, and any Bond or Parity Bond purchased by the District as authorized in the Indenture and delivered to the Trustee for such purpose will be, cancelled forthwith and will not be reissued. The Trustee will destroy such Bonds and Parity Bonds, as provided by law, and, upon request of the District, furnish to the District a certificate of such destruction.

Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by the Indenture to be signed or executed by Bondowners may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Owners in person or by their attorneys appointed by an instrument in writing for that purpose, or by the bank, trust company or other depository for such Bonds. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, and of the ownership of Bonds or Parity Bonds will be sufficient for the purposes of the Indenture (except as otherwise provided in the Indenture), if made in the following manner:

(a) The fact and date of the execution by any Owner or his or her attorney of any such instrument and of any instrument appointing any such attorney, may be proved by a signature guarantee of any bank or trust company located within the United States of America. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such signature guarantee will also constitute sufficient proof of his authority.

(b) As to any Bond or Parity Bond, the person in whose name the same is registered in the Bond Register will be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of any such Bond or Parity Bond, and the interest thereon, will be made only to or upon the order of the registered Owner thereof or his or her legal representative. All such payments will be valid and effectual to satisfy and discharge the liability upon such Bond or Parity Bond and the interest thereon to the extent of the sum or sums to be paid. Neither the District nor the Trustee will be affected by any notice to the contrary.

Nothing contained in the Indenture will be construed as limiting the Trustee or the District to such proof, it being intended that the Trustee or the District may accept any other evidence of the matters stated in the Indenture which the Trustee or the District may deem sufficient. Any request or consent of the Owner of any Bond or Parity Bond will bind every future Owner of the same Bond or Parity Bond in respect of anything done or suffered to be done by the Trustee or the District in pursuance of such request or consent.

Unclaimed Moneys. Anything in the Indenture to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Outstanding Bonds and Parity Bonds that remains unclaimed for two years after the date when such Outstanding Bonds or Parity Bonds have become due and payable, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when such Outstanding Bonds or Parity Bonds become due and payable, will be repaid by the Trustee to the District, as its absolute property free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Owners will look only to the District for the payment of such Outstanding Bonds or Parity Bonds; provided, however, that, before being required to make any such payment to the District, the Trustee, at the expense of the District, will cause to be mailed by first class mail, postage prepaid, to the registered Owners of such Outstanding Bonds or Parity Bonds at their addresses as they appear on the registration books of the Trustee a notice that said money remains unclaimed and that, after a date named in said notice, which date is not less than 30 days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the District.

Provisions Constitute Contract. The provisions of the Indenture constitute a contract between the District and the Bondowners and the provisions thereof will be construed in accordance with the laws of the State of California.

In case any suit, action or proceeding to enforce any right or exercise any remedy is brought or taken and, should said suit, action or proceeding be abandoned, or be determined adversely to the Bondowners or the Trustee, then the District, the Trustee and the Bondowners will be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

After the issuance and delivery of the Bonds, the Indenture will be irrevocable, but will be subject to modifications to the extent and in the manner provided in the Indenture, but to no greater extent and in no other manner.

Future Contracts. Nothing contained in the Indenture will be deemed to restrict or prohibit the District from making contracts or creating bonded or other indebtedness payable from a pledge of the Net Taxes which is subordinate to the pledge under the Indenture, or which is payable from the general fund of the District or from taxes or any source other than the Net Taxes and other amounts pledged thereunder.

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

Entire Agreement; Severability. The Indenture sets forth the entire agreement and understanding of the parties related to the transaction and supersedes all prior agreements and understandings, oral or written. If any covenant, agreement or provision, or any portion thereof, contained in the Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of the Indenture and the application of any such covenant, agreement or provision, or portion thereof, to other persons or circumstances, will be deemed severable and will not be affected thereby, and the Indenture, the Bonds and any Parity Bonds issued

pursuant thereto will remain valid and the Bondowners will retain all valid rights and benefits accorded to them under the laws of the State of California.

Governing Law; Jurisdiction. The Indenture will be governed by and construed in accordance with the laws of the State of California. The parties hereby (i) irrevocably submit to the exclusive jurisdiction of any federal or state court sitting in the State of California, (ii) waive any objection to laying of venue in any such action or proceeding in such courts, and (iii) waive any objection that such courts are an inconvenient forum or do not have jurisdiction over any party.

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APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated as of December 1, 2021 (the “**Disclosure Agreement**”) is executed and delivered by Community Facilities District No. 5 of the City of Moreno Valley (the “**Issuer**”) and Willdan Financial Services as dissemination agent (the “**Dissemination Agent**”), in connection with the issuance of the Issuer’s \$4,795,000 Special Tax Refunding Bonds, Series 2021 (the “**Bonds**”). The Bonds are being issued pursuant to a Bond Indenture, dated as of December 1, 2021 (the “**Bond Indenture**”), by and between the Issuer and the Wilmington Trust, National Association. The Issuer and the Dissemination Agent covenant as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer and the Dissemination Agent, for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with the Rule.

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

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

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

“**City**” shall mean the City of Moreno Valley, California.

“**Disclosure Representative**” shall mean the City Manager of the City, the Chief Financial Officer of the City, the Special Districts Division Manager of the City, or the designee thereof, or such other officer or employee as the Issuer shall designate in writing to the Dissemination Agent from time to time.

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

“**Fiscal Year**” shall mean the period from July 1 to June 30, or any other period selected by the Issuer as its fiscal year.

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

“**MSRB**” shall mean the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“**Official Statement**” shall mean the Official Statement relating to the Bonds, dated December 9, 2021.

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

“State” shall mean the State of California.

“Underwriter” shall mean the original underwriters of the Bonds that are required to comply with the Rule in connection with the offering of the Bonds.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent by written direction to such Dissemination Agent to, upon delivery of the Annual Report to the Dissemination Agent (if other than the Issuer), not later than April 1 of each year, commencing April 1, 2022, provide to the MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement (provided that the first Annual Report shall consist solely of the Official Statement). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer’s Fiscal Year changes, it shall give notice of such change to the Dissemination Agent and the Issuer shall, or shall cause the Dissemination Agent, by written direction to such Dissemination Agent, to give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) Not later than fifteen (15) business days prior to each April 1, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Issuer and shall have no duty or obligation to review such Annual Report. If: (i) the Issuer is acting as Dissemination Agent and an Annual Report has not been provided to the MSRB by the date required in subsection (a); or (ii) if the Dissemination Agent is other than the Issuer and is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), then the Issuer or the Dissemination Agent (if other than the Issuer), as applicable, shall send a notice to the MSRB in a timely manner in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to April 1 the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Issuer, promptly after receipt of the Annual Report, file a report with the Issuer certifying that the Annual Report has been filed with the MSRB pursuant to this Disclosure Agreement, and stating, to the extent that it can confirm such filing of the Annual Report, the date that it was filed.

SECTION 4. Content of Annual Reports. The Issuer’s Annual Report shall contain or include by reference the following:

(a) The Issuer does not currently prepare audited financial statements and it is not anticipated that the Issuer will prepare audited financial statements in the future. If the Issuer does prepare audited financial statements in the future, the Issuer’s Annual Report shall contain or incorporate by reference such audited financial statements, if any, for the most recently completed Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If audited financial statements of the Issuer are to be prepared in the future, but are not available at the time required for filing as set forth in Section 3(a), unaudited financial statements of the Issuer shall be submitted with the Annual Report and the audited financial statements shall be submitted once available. The financial statements of the City shall not be deemed to be the financial

statements of the Issuer, unless such audited financial statements contain specific information as to the Issuer, its revenues, expenses and account balances. If the City's audited financial statements contain specific information as to the Issuer, its revenues, expenses and account balances, the Issuer's Annual Report shall contain or incorporate by reference the City's audited financial statements. If the City's audited financial statements contain specific information as to the Issuer, its revenues, expenses and account balances, but are not available at the time required for filing, unaudited financial statements of the City that contain specific information as to the Issuer, its revenues, expenses and account balances shall be submitted with the Annual Report and the City's audited financial statements shall be submitted once available.

(b) To the extent not contained in the audited financial statements filed pursuant to subsection (a):

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

(ii) the balance in each fund under the Bond Indenture as of the September 2 preceding the filing of the Annual Report;

(iii) any changes to the Rate and Method approved or submitted to the qualified electors for approval prior to the filing of the Annual Report and a description of any parcels for which the Special Taxes have been prepaid, including the amount prepaid, since the date of the last Annual Report;

(iv) an update in substantially the form of Tables 2 and 5 (excluding updates of the footnotes) for the Fiscal Year in which the Annual Report is disseminated;

(v) a table setting forth for the most recent fiscal year in which Special Taxes were levied, the amount of Special Taxes levied in such fiscal year and the percentage delinquent as of June 30 of such fiscal year and as of the date of the Annual Report, and a description of the status of any foreclosure actions being pursued by the Issuer with respect to delinquent Special Taxes;

(vi) a statement or table identifying any owner of property within the Issuer that is responsible for more than 5% of the Special Tax levy and delinquent in the payment of Special Taxes; and

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

(viii) In addition to any of the information expressly required to be provided under paragraphs (i) through (vii) of this Section, the Issuer shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements for debt issues of the Issuer or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

- (i) Principal and interest payment delinquencies.
- (ii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iii) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (iv) Substitution of credit or liquidity providers, or their failure to perform.
- (v) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB).
- (vi) Tender offers.
- (vii) Defeasances.
- (viii) Rating changes.
- (ix) Bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(b) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not more than ten (10) Business Days after occurrence:

(i) Unless described in Section 5(a)(v), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds.

(ii) Modifications to the rights of Bondholders.

(iii) Optional, unscheduled or contingent Bond calls.

(iv) Release, substitution or sale of property securing repayment of the Bonds.

(v) Non-payment related defaults.

(vi) The consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

(vii) Appointment of a successor or additional trustee or the change of the name of a trustee.

(viii) Incurrence of a Financial Obligation of the Issuer, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders.

(ix) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(c) If the Issuer determines that knowledge of the occurrence of a Listed Event under subsection (b) would be material under applicable federal securities laws, and if the Dissemination Agent is other than the Issuer, the Issuer shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB in a timely manner not more than ten (10) Business Days after the event. Notwithstanding the foregoing, notice of a Listed Event described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Bond Indenture. In each case of the Listed Event, the Dissemination Agent shall not be obligated to file a notice as required in this subsection (c) prior to the occurrence of such Listed Event.

(d) If the Issuer determines that a Listed Event under subsection (b) would not be material under applicable federal securities laws and if the Dissemination Agent is other than the Issuer, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

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

SECTION 6. Termination of Reporting Obligation. The obligations of the Issuer and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing thirty days' written notice to the Issuer and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Issuer and shall have no duty to review any information provided to it by the Issuer. The Dissemination Agent shall have no duty to prepare any information report, nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Issuer in a timely manner and in a form suitable for filing.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule taking into account any subsequent change in or official interpretation of the Rule, and provided further that the Dissemination Agent shall have first consented to any amendment that modifies or increases its duties or obligations hereunder. In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data

being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (a) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a); and (b) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or to include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure by the Issuer or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Bond Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

No Owner or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the Issuer satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the Issuer shall have refused to comply therewith within a reasonable time.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. In performing its duties hereunder, the Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Owners, or any other party. The Dissemination Agent shall be entitled to the protections and limitations afforded to the Trustee under the Indenture. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given to the Dissemination Agent (if other than the Issuer) and to the Issuer as follows:

Disclosure Representative: City Manager
 City of Moreno Valley
 14177 Fredrick Street
 P.O. Box 88005
 Moreno Valley, CA 92552-0805

Dissemination Agent: Willdan Financial Services
27368 Via Industria, Suite 200
Temecula, CA 92590

SECTION 13. Beneficiaries. This Disclosure Agreement inures solely to the benefit of the Issuer, the Dissemination Agent, the Underwriter and the Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Signature. This Disclosure Agreement has been executed by the undersigned on the date hereof, and such signature binds the Issuer to the undertaking herein provided.

COMMUNITY FACILITIES DISTRICT NO. 5
OF THE CITY OF MORENO VALLEY,
COUNTY OF RIVERSIDE, STATE OF
CALIFORNIA

By: _____
Its: Authorized Officer

WILLDAN FINANCIAL SERVICES,
as Dissemination Agent

By: _____
Its: Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Community Facilities District No. 5 of the City of Moreno Valley
Name of Issue: Special Tax Refunding, Bonds Series 2021
Date of Issuance: December 21, 2021

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of December 1, 2021, by and between the District and Willdan Financial Services, as Dissemination Agent. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

WILLDAN FINANCIAL SERVICES,
as Dissemination Agent

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

Upon issuance of the Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinions with respect to the Bonds in substantially the following form:

December 21, 2021

Community Facilities District No. 5 of the City of Moreno Valley
Moreno Valley, California

Re: \$4,795,000 Community Facilities District No. 5 of the City of Moreno Valley Special Tax Refunding Bonds, Series 2021

Ladies and Gentlemen:

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the City of Moreno Valley (the “City”) taken in connection with the formation of Community Facilities District No. 5 of the City of Moreno Valley (the “District”) and the authorization and issuance of the District’s Special Tax Refunding Bonds, Series 2021 in the aggregate principal amount of \$4,795,000 (the “Bonds”) and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the District, the City, the initial purchasers of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California), a resolution adopted by the City Council of the City, acting in its capacity as legislative body of the District on October 19, 2021, and a Bond Indenture dated as of December 1, 2021 (the “Indenture”), by and between the District and Wilmington Trust, National Association, as trustee (the “Trustee”). All capitalized terms not defined herein have the meanings set forth in the Indenture. Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

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

(2) The Indenture has been duly executed and delivered by the District. The Indenture creates a valid pledge of, and the Bonds are secured by, the Net Taxes and the amounts on deposit in certain funds and accounts established under the Indenture, as and to the extent provided in the Indenture. The Indenture is enforceable in accordance with its terms; provided, however, we express no opinion as to the enforceability of the covenant of the District contained in the Indenture to levy Special Taxes for the payment of Administrative Expenses or as to indemnification, penalty, contribution, choice of law, choice of forum or waiver provisions contained therein.

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

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

(5) The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond Owner will increase the Bond Owner's basis in the applicable Bond. Original issue discount that accrues for the Bond Owner is excluded from the gross income of such Owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals (as described in paragraph (3) above) and is exempt from State of California personal income tax.

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

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

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

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, by the application of equitable principles and the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

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

The opinions expressed herein are based upon an analysis of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or do occur (or do not occur).

Respectfully submitted,

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APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the District and the Underwriter believe to be reliable, but neither the District nor the Underwriter takes any 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.

The Depository Trust Company (“DTC”), New York, NY, 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 annual maturity, and will be deposited with 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.

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 certificates representing their ownership interests in the 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.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY

FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

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FOR ADDITIONAL BOOKS: ELABRA.COM OR (888) 935-2272