

**AGENDA FOR THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF THE
TEMESCAL VALLEY WATER DISTRICT
NOVEMBER 27, 2018, 8:30 A.M. AT
THE DISTRICT'S ADMINISTRATIVE OFFICE
22646 TEMESCAL CANYON ROAD,
TEMESCAL VALLEY, CALIFORNIA 92883**

The following is a summary of the rules of order governing meetings of the Temescal Valley Water District Board of Directors:

AGENDA ITEMS

In case of an emergency, items may be added to the Agenda by a majority vote of the Board of Directors. An emergency is defined as a work stoppage; a crippling disaster; or other activity, which severely imperils public health, safety or both. Also, items, which arise after the posting of Agenda, may be added by a two-thirds vote of the Board of Directors.

PUBLIC COMMENT

Persons wishing to address a matter not on the Agenda may be heard at this time; however, no action will be taken until placed on a future agenda in accordance with Board policy.

NOTICE TO PUBLIC

All matters listed under the Consent Calendar will be voted upon by one motion. There will be no separate discussion of these items, unless a Board Member or member of the public requests that a particular item(s) be removed from the Consent Calendar, in which case, they will be considered separately under New Business.

**IF ANYONE WISHES TO SPEAK WITH THE BOARD
ABOUT ANY CONSENT CALENDAR MATTER(S),
PLEASE STATE YOUR NAME, ADDRESS,
AND APPROPRIATE ITEM NUMBER(S).**

AFFIDAVIT OF POSTING

I, Allison Harnden, Office Manager of the Temescal Valley Water District, hereby certify that I caused the posting of the Agenda at the District office at 22646 Temescal Canyon Road, Temescal Valley, California 92883 before November 24, 2018.

Allison Harnden, Office Manager

**AGENDA FOR REGULAR MEETING
November 27, 2018**

Page No.

1. **Roll Call and Call to Order.**
2. **Presentations and Acknowledgments.**
3. **Public Comment.**

BOARD ITEMS:

4. **Minutes of the October 23, 2018 Regular Meeting.** **6-9**
RECOMMENDATION: Approve Minutes as written.
5. **Payment Authorization Report.** **10-12**
RECOMMENDATION: Approve Report and authorize payment of the October 23-November 27, 2018 invoices.
6. **Revenue & Expenditure Reports. (Unaudited).**
 - a. Revenue & Expenditure Reports. **13-30**
RECOMMENDATION: Note and file.
 - b. Lien update. **31**
RECOMMENDATION: Note and file.
7. **Trilogy Development.**
 - a. Homeowners Association update. **(-)**
 - b. Golf Course update. **(-)**
8. **Sycamore Creek Development.**
 - a. Project Update. **(-)**
 - b. 1738 homes to be built. 1548 houses occupied to date. 89% complete.

	<u>Page No.</u>
9. Terramor Development (Forestar Toscana).	
a. Project Update.	(-)
b. Resolution No. R-18-17 Authorizing the Issuance of Improvement Area No. 1 2018 Special Tax Bonds in an Aggregate Principal Amount Not To Exceed \$24,000,000 and Approving Certain Other Actions in Connection Therewith. RECOMMENDATION: Adopt Resolution No. R-18-17.	32-374
c. 1443 homes to be built. 156 houses released to date.	
10. Harmony Grove (Griffin Homes).	(-)
a. Project Update.	
b. 50 estimated homes to be built.	
11. Water Utilization Reports.	375-388
RECOMMENDATION: Note and file.	
12. Sustainable Groundwater Management Act.	(-)
a. Project Update.	
13. Committee Reports.	
a. Finance (Director Rodriguez).	
b. Engineering (Director Destache).	(-)
c. Public Relations (Allison Harnden).	(-)
14. General Manager's Report.	
a. General Manager's Report.	389
1. Reimbursement of Slater Sewer Lift Station.	390-395
RECOMMENDATION: Authorize General Manager to pay Reimbursement early and not wait until July.	
2. Modifications & Additions to Employee Handbook.	396-411
RECOMMENDATION: Approve.	

	<u>Page No.</u>
15. Operations Report. a. Water and Sewer Operations.	412-414
16. District Engineer's Report. a. Status of Projects.	415-416
17. District Counsel's Report.	(-)
18. Seminars/Workshops.	(-)
19. Consideration of Correspondence. An informational package containing copies of all pertinent correspondence for the Month of October will be distributed to each Director along with the Agenda.	417
20. Adjournment.	(-)

**MINUTES OF THE
REGULAR MEETING OF THE
TEMESCAL VALLEY WATER DISTRICT**

October 23, 2018

PRESENT

C. Colladay
P. Rodriguez

J. Butler
D. Harich

ABSENT

G. Destache

GUESTS

T. Davis

STAFF

J. Pape
A. Harnden
M. McCullough
D. Saunders
P. Bishop

1. Roll Call and Call to Order.

The regular meeting of the Temescal Valley Water District was called to order by President Colladay at 8:30 a.m.

2. Presentations and Acknowledgments.

3. Public Comment.

BOARD ITEMS:

4. Minutes of the September 25, 2018 Regular Meeting.

ACTION: Director Butler moved to approve the minutes as presented. Director Rodriguez seconded. Motion carried unanimously.

5. Payment Authorization Report.

ACTION: Director Rodriguez moved to approve the September 25-October 23, 2018 invoices. Director Harich seconded. Motion carried unanimously.

6. Revenue & Expenditure Reports. (Unaudited).

a. Revenue & Expenditure Reports.

ACTION: Note and file.

b. Lien update.

ACTION: Note and file.

7. **Resolution No. R-18-16 Temescal Valley Water District Approving a Debt Issuance and Management Policy in Accordance with Senate Bill 1029.**
ACTION: Director Rodriguez moved to Adopt Resolution No. R-18-16. Director Butler seconded. Motion carried unanimously.

8. **Trilogy Development.**
 - a. Homeowners Association update.

 - b. Golf Course update.

9. **Sycamore Creek Development.**
 - a. Project Update.

 - b. 1738 homes to be built. 1548 houses occupied to date. 89% complete.

 - c. Sycamore Creek Reservoir Recoat Project.
ACTION: Director Butler moved to approve the project for \$107,886. Director Harich seconded. Motion carried unanimously.

10. **Terramor Development (Forestar Toscana).**
 - a. Project Update.

 - b. 1443 estimated homes to be built. 136 houses released to date.

11. **Harmony Grove (Griffin Homes).**
 - a. Project Update.

 - b. 50 estimated homes to be built.

12. **Water Utilization Reports.**
ACTION: Note and file.

13. **Sustainable Groundwater Management Act.**
 - a. Project Update.

14. **Committee Reports.**
 - a. Finance (Director Rodriguez) – Director Rodriguez reported on his attendance at the CSDA Conference.

- b. Engineering (Director Destache) – Director Butler reported on the Committee meeting that was held on September 25th.
- c. Public Relations (Allison Harnden) – Allison reported that she is working with our Website developer to ensure compliance with AB2257 by January 1, 2019.

15. General Manager’s Report.

- a. General Manager’s Report – The General Manager reported on current projects.
 - 1. Cooperative Agreement Between the County of Riverside and the Temescal Valley Water District for Construction of Roadway Widening on Temescal Canyon Road.

ACTION: Director Harich moved to approve the execution of the Agreement subject to minor corrections. Director Butler seconded. Motion carried unanimously.

- 2. Cell Site Lease Agreement at Wild Rose Tank.

ACTION: Director Butler moved to approve the Agreement subject to minor corrections. Director Rodriguez seconded. Motion carried unanimously.

- 3. Modifications & Additions to Employee Handbook.

ACTION: This item was tabled until next month’s meeting.

16. Operations Report.

- a. Water and sewer operations.

17. District Engineer’s Report.

- a. Status of Projects.

18. District Counsel’s Report.

19. Seminars/Workshops.

20. Consideration of Correspondence.

An informational package containing copies of all pertinent correspondence for the Month of September will be distributed to each Director along with the Agenda.

21. Adjournment.

There being no further business, the October 23, 2018 Regular Meeting of the Temescal Valley Water District Board of Directors was adjourned at 11:00 a.m. by President Colladay.

ATTEST:

APPROVED:

Paul Rodriguez, Secretary

Charles Colladay, President

Date: _____

Date: _____

TEMESCAL VALLEY WATER DISTRICT
 PAYMENT AUTHORIZATION REPORT
 Nov 27, 2018

Check #	Date	Payee ID	Payee	Amount	
21701	10/20/18	REFUND	MARK GILTNER	\$ 212.11	
21702	10/24/18	EL	EDUARDO LOPEZ-TRK MAINT	80.00	
21703	10/24/18	SWRCB	STATE WATER RESOURCES CONTROL BOARD	60.00	
21704	10/24/18	RO	PAUL RODRIGUEZ-CSDA CONF	1,232.23	
21705	10/26/18	ATTM	AT & T MOBILITY	629.47	
21706	10/26/18	DU03	DUDEK & ASSOCIATES-PASS THRU	4,835.28	
21707	10/26/18	MC02	McCROMETER, INC.	972.62	
21708	10/26/18	TR01	TRAN CONTROLS SCADA SOLUTIONS, LLC.	1,548.37	
21709	10/26/18	TR012	TRAN CONTROLS SCADA SOLUTIONS, LLC.	10,239.81	REPAIRS-PID CONTROL/TRILOGY POND/DAWSON TANK LEVEL
21710	11/2/18	AD	PAYROLL	-	
21711	11/2/18	BE	PAYROLL	-	
21712	11/2/18	CG	PAYROLL	-	
21713	11/2/18	CL	PAYROLL	-	
21714	11/2/18	DB	PAYROLL	-	
21715	11/2/18	JH	PAYROLL	-	
21716	11/2/18	KN	PAYROLL	-	
21717	11/2/18	LK	PAYROLL	-	
21718	11/2/18	MM	PAYROLL	-	
21719	11/2/18	PB	PAYROLL	-	
21720	10/29/18	FI01	FIDELITY INVESTMENTS	960.80	
21721	10/29/18	FI01	FIDELITY INVESTMENTS	747.00	
21722	11/2/18	FI01	FIDELITY INVESTMENTS	700.00	
21723-21736	10/29/18		VOID	-	
21737	10/29/18	FI01	FIDELITY INVESTMENTS	700.00	
21738	10/31/18	SO03	SOUTHERN CALIF EDISON CO.	45,985.70	
21739	11/6/18		CA-NV AWWA	790.00	
21740	11/6/18	KCI	KASSEL CONTRACTING INC.	26,492.50	PERK POND II
21741	11/6/18		VOID	-	
21742	11/16/18	AD	PAYROLL	-	
21743	11/16/18	BE	PAYROLL	-	
21744	11/16/18	CG	PAYROLL	-	
21745	11/16/18	CL	PAYROLL	-	
21746	11/16/18	CO	CHARLES W. COLLADAY	301.07	
21747	11/16/18	DB	PAYROLL	-	
21748	11/16/18	DES	GRANT DESTACHE	301.07	
21749	11/16/18	DH	DAVID HARICH	243.87	
21750	11/16/18	JB	JOHN B. BUTLER	246.37	
21751	11/16/18	JH	PAYROLL	-	
21752	11/16/18	KN	PAYROLL	-	
21753	11/16/18	LK	PAYROLL	-	

TEMESCAL VALLEY WATER DISTRICT
 PAYMENT AUTHORIZATION REPORT
 Nov 27, 2018

Check #	Date	Payee ID	Payee	Amount	
21754	11/16/18	MM	PAYROLL	-	
21755	11/16/18	PB	PAYROLL	-	
21756	11/16/18	RO	PAUL RODRIGUEZ	246.37	
21757-21790			VOID	-	
21791	11/16/18	ATT01	AT&T	160.53	
21792	11/16/18	BEP	BARRETT ENGINEERED PUMPS	9,376.41	REPAIR-PUMP PERK POND
21793	11/16/18	CAM	CHANDLER INVESTMENT MANAGEMENT	1,000.00	
21794	11/16/18	CM01	CORE & MAIN	373.74	
21795	11/16/18	CW	COMPRESSOR WORLD LLC	5,600.00	REPAIR-FILTER COMP PUMP MOTORS
21796	11/16/18	DSC	DATABASE SYSTEMS CORP.	425.05	
21797	11/16/18	DU01	DUDEK & ASSOCIATES-CONT MGT	17,064.80	
21798	11/16/18	DU02	DUDEK & ASSOCIATES-SPECIAL PROJECTS	18,247.50	CORONA/CONV/MASTER PLAN/SUC CRK REHAB/GIS SUPPORT
21799	11/16/18	DU03	DUDEK & ASSOCIATES-PASS THRU	10,220.00	
21800	11/16/18	DU04	DUDEK & ASSOCIATES-ENGINEERING	5,922.62	
21801	11/16/18	GI	GORM INC.	77.58	
21802	11/16/18	GMCEI	GMC ELECTRICAL INC	1,625.00	
21803	11/16/18	HA02	HACH COMPANY	1,837.53	
21804	11/16/18	HES	HOLLOWAY ENVIRONMENTAL SOLUTIONS	2,394.60	
21805	11/16/18	HO01	HOME DEPOT CREDIT SERVICES	701.79	
21806	11/16/18	ISC	IT SUPPORT CA INC.	3,332.40	
21807	11/16/18	MH01	MCFADDEN-DALE HARDWARE CO.	356.68	
21808	11/16/18	MU01	WILLDAN FINANCIAL SERVICES	5,697.61	
21809	11/16/18	NC	NORTHSTAR CHEMICAL	11,050.47	
21810	11/16/18	OP	ONESTOP PLUMBERS	95.00	
21811	11/16/18	PFTS	PIRTEK FLUID TRANSFER SOLUTIONS	378.17	
21812	11/16/18	PLM01	PARRA LANDSCAPE MAINTENANCE	815.00	
21813	11/16/18	PO07	POLYDYNE, INC.	11,399.95	
21814	11/16/18	PPE	PRIVATE PEST EXTERMINATORS	286.00	
21815	11/16/18	SCA	SOUTH COAST AIR QUALITY MGT DIST	1,077.16	
21816	11/16/18	ST01	STAPLES CREDIT PLAN	325.72	
21817	11/16/18	ST02	STATE COMPENSATION INSUR.FUND	1,868.50	
21818	11/16/18	TWC	SPECTRUM BUSINESS	1,018.49	
21819	11/16/18	UBB	USA BLUEBOOK	727.26	
21820	11/16/18	UCSI	ULTIMATE CLEANING SOLUTIONS INC	290.00	
21821	11/16/18	UN01	UNDERGROUND SERVICE ALERT	87.55	
21822	11/16/18	WA01	WASTE MANAGEMENT - INLAND EMPIRE	276.88	
21823	11/16/18	WE01	WESTERN MUNICIPAL WATER DISTR.	254,827.16	
21824	11/16/18	USB01	US BANK GOVERNMENT SERVICES	940.09	
21825	11/16/18	REFUND	CATHERINE MILLER	103.00	
21826	11/16/18	REFUND	ANNE JUNG	153.10	

TEMESCAL VALLEY WATER DISTRICT
 PAYMENT AUTHORIZATION REPORT
 Nov 27, 2018

Check #	Date	Payee ID	Payee	Amount
21827	11/13/18	REFUND	EARTH BASICS	885.28
21828	11/16/18	REFUND	THOMAS DAY JR	144.15
21829	11/16/18	REFUND	LORA RUTHERFORD	2.15
21830	11/16/18	REFUND	MICHAEL BAKER	148.44
21831	11/16/18	REFUND	KENNETH TULIAU	15.89
21832	11/16/18	REFUND	SUSANA VILLANUEVA	1,238.63
21833	11/16/18	REFUND	DEREK EASTMAN	67.59
21834	11/16/18	REFUND	DANNY LIM	22.83
21835	11/16/18	REFUND	SONDRA LAWSON	72.83
21836	11/16/18	REFUND	BARRETT DAFFIN FRAPPIER	212.11
21837	11/16/18	REFUND	JANETTE MARTEL	139.95
21838	11/16/18	REFUND	AIMEE POPE	44.20
21839	11/16/18	REFUND	JAVIER RUIZ	136.40
21840	11/16/18	REFUND	RANA ELHATEM	116.45
21841	11/16/18	REFUND	MICHAEL ACKER	78.54
21842	11/16/18	REFUND	LARRY GAGE	99.58
21843	11/16/18	REFUND	PACIFIC COVE ESTATES	162.68
21844	11/16/18	REFUND	MOVEMENT REAL ESTATE	229.99
Total				<u>\$ 471,475.67</u>

THESE INVOICES ARE SUBMITTED TO THE
 TEMESCAL VALLEY BOARD OF DIRECTORS FOR
 APPROVAL AND AUTHORIZATION FOR PAYMENT

Mel McCullough - Finance Manager

 Mel McCullough - Finance Manager

 11/27/18

Date

TEMESCAL VALLEY WATER DISTRICT
INTERNAL BALANCE SHEET
31-Oct-18

ASSETS

Fixed Assets (net of accumulated depreciation)			
Land		\$	902,118
Treatment Plants			8,512,319
Capacity Rights			13,503,639
Water System, Reservoir & Wells			9,082,236
Water & Sewer Mains			27,269,799
General Equipment Sewer/Water/ Furniture			331,834
Buildings & Entrance Improvements			317,513
			\$ 59,919,457
Current Assets			
Cash - Wastewater	11,782,054		
Cash - Water	11,723,324		
Cash - ID #1	438,195		
Cash - ID #2	129,068		
Cash - Nonpotable	1,568,558		
Cash - Deposits	1,188,493		26,829,692
Accounts Receivable-Services/Developers			1,273,305
Assessment Receivable			147,303
Interest Receivable			17,200
Prepaid Expenses			32,139
Inventory			80,001
			28,379,640
Other Assets			
Work-in-Process			247,952
Deferred Outflows - Pension		\$	240,340
TOTAL ASSETS		\$	88,787,389

LIABILITIES

Current Liabilities			
Accounts Payable		\$	339,249
Security Deposits			233,784
Payroll & Payroll Taxes Payable			39,084
Capacity & Meter Deposits			213,630
Fiduciary Payments Payable			406,496
Developer Deposits			287,211
Other Deposits			47,373
			1,566,826
Long-term Liabilities			
TVRP Note			1,433,445
Deferred Inflows - Pension			74,284
TOTAL LIABILITIES		\$	3,074,555

FUND EQUITY

Fund Balances			
Waste Water Fund Balance			28,263,735
Water Fund Balance			46,157,309
ID #1 Fund Balance			602,616
ID #2 Fund Balance			573,914
Recycled Water Fund Balance			10,115,259
TOTAL FUND EQUITY		\$	85,712,834
TOTAL LIABILITIES & FUND EQUITY		\$	88,787,389

**TEMESCAL VALLEY WATER DISTRICT
REVENUE AND EXPENDITURES/BUDGET
For Four Month ending October 31, 2018**

	OCT			YEAR TO DATE			BUDGET 2018-2019	BUDGET REMAINING
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE		
<u>WASTEWATER DEPARTMENT</u>								
OPERATING REVENUE:								
MONTHLY SEWER SERVICE CHARGE	185,235	188,500	(3,265)	770,126	754,000	16,126	2,320,000	(1,549,874)
MONTHLY SERVICE CHARGE-ID #1	10,767	10,767	-	43,068	43,068	-	129,200	(86,132)
MONTHLY SERVICE CHARGE-ID #2	12,178	12,178	-	48,714	48,714	-	146,150	(97,436)
MONTHLY SEWER SERVICE CHG-R COM	11,696	9,440	2,256	35,574	37,760	(2,186)	113,300	(77,726)
MISC UTILITY CHARGES/ REVENUE	5,466	5,400	66	5,837	21,600	(15,763)	5,000	837
STANDBY CHARGES	584	-	584	2,253	-	2,253	110,000	(107,747)
CFD REIMBURSEMENTS	-	-	-	-	-	-	20,000	(20,000)
INSPECTION CHARGES	2,420	3,800	(1,380)	17,850	15,200	2,650	46,000	(28,150)
TOTAL WASTEWATER REVENUE	228,346	230,085	(1,739)	923,422	920,342	3,080	2,889,650	(1,966,228)
OPERATING EXPENSES:								
PLANT WAGES EXPENSE	9,321	9,550	(229)	36,869	37,200	(331)	137,000	(100,131)
INSPECTION WAGES EXPENSE	2,480	2,400	80	9,920	9,900	20	31,000	(21,080)
PAYROLL TAXES EXP	243	250	(7)	825	1,000	(175)	3,000	(2,175)
EMPLOYEE BENEFITS-INS	1,102	1,425	(323)	4,550	5,700	(1,150)	18,500	(13,950)
EMPLOYEE BENEFITS-RETIREMENT	1,121	1,460	(339)	4,735	5,840	(1,105)	19,000	(14,265)
OVERTIME EXP	5,261	600	4,661	11,198	2,400	8,798	7,000	4,198
MILEAGE EXP	695	100	595	1,424	400	1,024	1,000	424
VACATION EXP	624	750	(126)	2,496	3,000	(504)	8,800	(6,304)
ELECTRICIAN LABOR COSTS	-	420	(420)	-	1,680	(1,680)	5,000	(5,000)
SCADA SYSTEM ADMIN/MAINT	-	850	(850)	12,988	3,400	9,588	10,000	2,988
LABORATORY TESTING COSTS	-	1,250	(1,250)	10,605	5,000	5,605	15,000	(4,395)
SLUDGE DISPOSAL/PUMPING COSTS	3,261	2,500	761	6,159	10,000	(3,841)	30,000	(23,841)
SLUDGE DISPOSAL BAG EXP	-	-	-	-	-	-	25,000	(25,000)
SLUDGE CHEMICAL EXP	11,400	5,000	6,400	11,400	20,000	(8,600)	60,000	(48,600)
EQUIPMENT RENTAL COSTS	-	200	(200)	-	800	(800)	2,000	(2,000)
EQUIPMENT REPAIRS & MAINT.	7,846	15,500	(7,654)	49,530	62,000	(12,470)	185,000	(135,470)
SEWER LINE REPAIRS	-	1,000	(1,000)	-	4,000	(4,000)	10,000	(10,000)
SEWER CLEANING AND VIDEO EXP	-	1,250	(1,250)	2,526	5,000	(2,474)	15,000	(12,474)
SECURITY AND ALARM EXP	-	-	-	-	750	(750)	3,000	(3,000)
PROPERTY MAINTENANCE	1,735	3,500	(1,765)	10,059	14,000	(3,941)	40,000	(29,941)
ENGINEERING/ADMIN. STUDIES	-	1,500	(1,500)	-	6,000	(6,000)	20,000	(20,000)
ENERGY COSTS	16,209	15,750	459	85,476	63,000	22,476	190,000	(104,524)
CONSUMABLE SUPPLIES & CLEANING	829	850	(21)	4,290	3,400	890	10,000	(5,710)
CHEMICALS, LUBRICANTS & FUELS	7,876	5,000	2,876	33,189	20,000	13,189	60,000	(26,811)
SMALL EQUIPMENT & TOOLS COST	7,380	1,250	6,130	13,791	5,000	8,791	15,000	(1,209)
PERMITS, FEES & TAXES	431	2,100	(1,669)	2,810	8,400	(5,590)	25,000	(22,190)
SAWPA BASIN MONITORING EXP	-	-	-	11,080	10,000	1,080	25,000	(13,920)
MAP UPDATING/GIS EXP	-	-	-	-	500	(500)	2,000	(2,000)
MISC. OPERATING EXP	-	-	-	-	250	(250)	1,000	(1,000)
BAD DEBT EXPENSES	-	-	-	27	-	27	1,500	(1,473)
CONTINGENCIES	-	3,000	(3,000)	-	12,000	(12,000)	37,000	(37,000)
TOTAL OPERATING EXPENSES	77,814	77,455	359	325,947	320,620	5,327	1,011,800	(685,853)

**TEMESCAL VALLEY WATER DISTRICT
REVENUE AND EXPENDITURES/BUDGET
For Four Month ending October 31, 2018**

	OCT			YEAR TO DATE			BUDGET	BUDGET
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE	2018-2019	REMAINING
ADMINISTRATIVE EXPENSES:								
CONTRACT MANAGEMENT	6,826	7,200	(374)	31,556	32,000	(444)	100,000	(68,444)
GENERAL ENGINEERING EXP	2,325	1,250	1,075	5,025	5,000	25	15,000	(9,975)
EMPLOYEE BENEFITS-INS	2,050	2,100	(50)	6,739	6,700	39	20,000	(13,261)
EMPLOYEE BENEFITS-RETIREMENT	2,406	2,500	(94)	7,910	8,000	(90)	23,500	(15,590)
ANNUAL ASSESSMENT EXP	2,848	2,500	348	5,688	5,000	688	5,000	688
PLAN CHECK & INSPECTION EXP	-	200	(200)	-	800	(800)	2,500	(2,500)
WAGES EXPENSE	11,555	11,625	(70)	46,245	47,500	(1,255)	164,000	(117,755)
VACATION EXP	797	1,000	(203)	4,173	4,000	173	11,500	(7,327)
PAYROLL TAX EXPENSES	190	240	(50)	795	960	(165)	3,100	(2,305)
OVERTIME EXP	-	100	(100)	-	400	(400)	1,000	(1,000)
MILEAGE EXP ADMIN	-	42	(42)	-	168	(168)	500	(500)
CONTRACT STAFFING EXP	-	-	-	-	-	-	2,000	(2,000)
LEGAL EXPENSES	-	900	(900)	1,985	3,300	(1,315)	10,000	(8,015)
AUDIT EXPENSES	-	-	-	-	-	-	5,500	(5,500)
BOARD COMMITTEE MEETING EXP.	722	1,000	(278)	2,732	4,000	(1,268)	12,000	(9,268)
ELECTION & PUBLIC HEARING EXP	-	-	-	-	-	-	-	-
COMPUTER SYSTEM ADMIN	-	1,500	(1,500)	3,998	6,000	(2,002)	18,000	(14,002)
BANK CHARGES EXP	2,240	1,250	990	8,161	5,000	3,161	15,000	(6,839)
MISCELLANEOUS & EDUCATION EXP	170	400	(230)	1,200	1,600	(400)	5,000	(3,800)
TELEPHONE, FAX & CELL EXP	456	1,000	(544)	3,319	4,000	(681)	12,000	(8,681)
OFFICE SUPPLIES EXP	356	1,400	(1,044)	1,248	5,600	(4,352)	16,000	(14,752)
PRINTING EXPENSES	141	-	141	2,382	1,500	882	6,000	(3,618)
POSTAGE & DELIVERY EXPENSE	911	1,100	(189)	3,954	4,400	(446)	13,200	(9,246)
PUBLICATIONS, NOTICES & DUES	145	-	145	305	250	55	750	(445)
EQUIPMENT LEASE EXPENSES	369	620	(251)	1,237	2,480	(1,243)	7,400	(6,163)
INSURANCE EXPENSES	1,770	2,400	(630)	7,405	9,600	(2,195)	28,000	(20,595)
COMMUNITY OUTREACH EXP	-	-	-	9,701	2,000	7,701	8,000	1,701
INVESTMENT EXP	-	400	(400)	1,200	1,600	(400)	4,800	(3,600)
TOTAL ADMINISTRATIVE EXPENSES	36,277	40,727	(4,450)	156,958	161,858	(4,900)	509,750	(352,792)
TOTAL WASTEWATER EXPENSES	114,091	118,182	(4,091)	482,905	482,478	427	1,521,550	(1,038,645)
NET OPERATING REVENUE/EXPENSE	114,255	111,903	2,352	440,517	437,864	2,653	1,368,100	(927,583)
NON-OPERATING SOURCE OF FUNDS:								
OTHER REVENUE REIMB-MANDATE COSTS	-	-	-	-	-	-	-	-
INTEREST INCOME	14,414	1,250	13,164	22,340	5,000	17,340	15,000	7,340
PROPERTY TAX INCOME	-	-	-	7,450	8,000	(550)	70,000	(62,550)
TOTAL NON-OPER SOURCE OF FUNDS	14,414	1,250	13,164	29,790	13,000	16,790	85,000	(55,210)
TOTAL SEWER REVENUE/EXPENSE	128,669	113,153	15,516	470,307	450,864	19,443	1,453,100	(982,793)
TRANSFER TO CAPITAL FUND-REPLACEMENT				252,816				
TRANSFER TO CAPITAL FUND-IMPROVEMENT				217,491				
CONNECTION FEES				99,097				
				-				

**TEMESCAL VALLEY WATER DISTRICT
REVENUE AND EXPENDITURES/BUDGET
For Four Month ending October 31, 2018**

WASTE WATER CAPITAL FUND:

ENDING FUNDS AVAILABLE 2017-2018	11,261,532
TRANSFER FOR CAPITAL FUND REPLACEMENT	252,816
TRANSFER FOR CAPITAL IMPROVEMENTS	316,588
CAPITAL IMPROVEMENT (SEE ATTACHED DETAIL)	<u>(32,083)</u>
TOTAL FUNDS AVAILABLE	<u>11,798,853</u>

**TEMESCAL VALLEY WATER DISTRICT
REVENUE AND EXPENDITURES/BUDGET
For Four Month ending October 31, 2018**

	OCT			YEAR TO DATE			BUDGET	BUDGET
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE	2018-2019	REMAINING
<u>WATER DEPARTMENT</u>								
OPERATING REVENUE:								
WATER SERVICE CHARGE	117,700	139,600	(21,900)	547,166	558,400	(11,234)	1,675,000	(1,127,834)
WATER USAGE CHARGES	376,492	376,200	292	1,718,557	1,546,600	171,957	4,180,000	(2,461,443)
WATER PUMPING CHARGE	15,217	14,400	817	45,057	59,200	(14,143)	160,000	(114,943)
FIRE PROTECTION CHARGES	3,258	2,800	458	11,714	11,200	514	33,500	(21,786)
MISC. UTILITY CHARGES	5,340	3,000	2,340	18,638	12,000	6,638	36,000	(17,362)
SERVICE METER INCOME	7,000	8,000	(1,000)	19,700	33,000	(13,300)	100,000	(80,300)
CELLULAR SITE LEASE	2,956	2,900	56	11,824	11,600	224	35,000	(23,176)
MWD READINESS TO SERVE CHARGE	12,467	11,800	667	49,638	47,200	2,438	142,000	(92,362)
STANDBY CHARGES	-	-	-	1,669	-	1,669	41,000	(39,331)
CFD REIMBURSEMENTS	-	-	-	-	-	-	20,000	(20,000)
INSPECTION CHARGES	2,118	3,400	(1,282)	15,619	13,600	2,019	40,400	(24,781)
TOTAL WATER REVENUE	542,548	562,100	(19,552)	2,439,582	2,292,800	146,782	6,462,900	(4,023,318)
OPERATING EXPENSES:								
WAGES EXPENSE	8,156	8,300	(144)	32,360	33,200	(840)	120,000	(87,640)
INSPECTION WAGES EXPENSE	2,170	2,150	20	8,680	8,600	80	27,500	(18,820)
PAYROLL TAXES EXP	212	170	42	721	680	41	2,200	(1,479)
EMPLOYEE BENEFITS-INS	1,531	1,335	196	7,739	5,340	2,399	16,000	(8,261)
EMPLOYEE BENEFITS-RETIREMENT	60	1,335	(1,275)	60	5,340	(5,280)	16,000	(15,940)
OPERATION-MILEAGE EXP	-	40	(40)	-	160	(160)	500	(500)
OVERTIME EXPENSE/ ON CALL	4,603	500	4,103	9,798	2,000	7,798	6,000	3,798
VACATION EXP	780	670	110	3,120	2,680	440	8,000	(4,880)
CONTRACT STAFFING-METER READS	5,116	5,420	(304)	20,447	21,680	(1,233)	65,000	(44,553)
SCADA SYSTEM ADMIN/MAINT	-	830	(830)	1,836	3,320	(1,484)	10,000	(8,164)
LABORATORY TESTING COSTS	-	1,000	(1,000)	4,276	4,000	276	12,000	(7,724)
COMPLIANCE TESTING (ISDE/CROSS)	-	250	(250)	-	1,000	(1,000)	3,000	(3,000)
LEAK DETECTION EXPENSE	-	670	(670)	-	2,680	(2,680)	8,000	(8,000)
EPA WATER TESTING EXP	-	500	(500)	-	2,000	(2,000)	6,000	(6,000)
EQUIPMENT RENTAL COSTS	-	-	-	-	500	(500)	2,000	(2,000)
EQUIPMENT REPAIRS & MAINT.	12,253	8,300	3,953	18,432	33,200	(14,768)	100,000	(81,568)
WATER LINE REPAIRS	-	3,350	(3,350)	-	13,400	(13,400)	40,000	(40,000)
ALARM MONITORING COSTS	-	-	-	-	700	(700)	2,625	(2,625)
PROPERTY MAINTENANCE	-	420	(420)	857	1,680	(823)	5,000	(4,143)
ENGINEERING/ADMIN. STUDIES	-	670	(670)	-	2,680	(2,680)	8,000	(8,000)
ENERGY COSTS	9,404	13,400	(3,996)	57,714	53,600	4,114	160,000	(102,286)
CONSUMABLE SUPPLIES & CLEANING	-	300	(300)	472	1,200	(728)	3,500	(3,028)
CHEMICALS, LUBRICANTS & FUELS	598	400	198	1,735	1,600	135	5,000	(3,265)
SMALL EQUIPMENT & TOOLS COST	-	170	(170)	-	680	(680)	2,000	(2,000)
PERMITS, FEES & TAXES	376	-	376	4,475	8,500	(4,025)	34,000	(29,525)
MAP UPDATING/GIS EXP	-	420	(420)	-	1,680	(1,680)	5,000	(5,000)
SERVICE METERS & PARTS COSTS	3,240	6,600	(3,360)	20,002	26,400	(6,398)	80,000	(59,998)
WHOLESALE WATER PURCHASES	240,559	328,500	(87,941)	1,418,973	1,350,500	68,473	3,650,000	(2,231,027)
WATER-MWD CAPACITY CHARGE	4,205	4,200	5	16,820	16,800	20	50,000	(33,180)
WATER-READINESS TO SERVE/REFUSAL CHARGE	10,062	10,000	62	40,248	40,000	248	120,000	(79,752)
WMWD-MGLMR EXP	-	-	-	116,314	116,314	-	116,314	-
BAD DEBT EXPENSES	-	-	-	-	-	-	1,500	(1,500)
CONSERVATION REBATE EXP	-	250	(250)	-	1,000	(1,000)	3,000	(3,000)
CONTINGENCIES	-	2,300	(2,300)	-	9,200	(9,200)	28,000	(28,000)
TOTAL OPERATING EXPENSES	303,325	402,450	(99,125)	1,785,079	1,772,314	12,765	4,716,139	(2,931,060)

**TEMESCAL VALLEY WATER DISTRICT
REVENUE AND EXPENDITURES/BUDGET
For Four Month ending October 31, 2018**

	OCT			YEAR TO DATE			BUDGET	BUDGET
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE	2018-2019	REMAINING
ADMINISTRATIVE EXPENSES:								
CONTRACT MANAGEMENT	5,972	5,600	372	27,612	26,700	912	87,500	(59,888)
GENERAL ENGINEERING EXP	3,472	1,700	1,772	13,000	6,800	6,200	20,000	(7,000)
PLAN CHECK & INSPECTION EXP	-	900	(900)	-	3,600	(3,600)	10,000	(10,000)
EMPLOYEE BENEFITS-INS	3,912	1,350	2,562	12,965	5,400	7,565	17,500	(4,535)
EMPLOYEE BENEFITS-RETIREMENT	-	1,580	(1,580)	-	6,320	(6,320)	20,500	(20,500)
ANNUAL ASSESSMENT EXP	2,848	-	2,848	5,688	4,000	1,688	4,000	1,688
WAGES EXPENSE	10,111	11,100	(989)	40,464	44,400	(3,936)	143,500	(103,036)
VACATION EXP	996	950	46	3,986	3,800	186	11,300	(7,314)
MILEAGE EXP ADMIN	-	42	(42)	-	168	(168)	500	(500)
OVERTIME EXPENSE	-	80	(80)	-	320	(320)	1,000	(1,000)
PAYROLL TAX EXPENSES	166	230	(64)	695	920	(225)	2,950	(2,255)
CONTRACT STAFFING OFFICE	-	-	-	-	2,000	(2,000)	2,000	(2,000)
LEGAL EXPENSES	-	420	(420)	-	1,680	(1,680)	5,000	(5,000)
AUDIT EXPENSES	-	-	-	-	-	-	5,000	(5,000)
BOARD COMMITTEE/ MEETING EXP.	632	875	(243)	2,392	3,500	(1,108)	10,500	(8,108)
COMPUTER SYSTEM EXP	-	850	(850)	3,499	3,400	99	10,000	(6,501)
BANK CHARGES EXP	1,960	1,250	710	7,141	5,000	2,141	15,000	(7,859)
MISCELLANEOUS & EDUCATION EXP	-	200	(200)	210	800	(590)	2,000	(1,790)
TELEPHONE EXP	398	850	(452)	2,904	3,400	(496)	10,000	(7,096)
OFFICE SUPPLIES EXP	411	850	(439)	2,153	3,400	(1,247)	10,000	(7,847)
PRINTING EXPENSES	123	-	123	2,084	2,500	(416)	5,000	(2,916)
POSTAGE & DELIVERY EXPENSE	797	920	(123)	3,277	3,680	(403)	11,000	(7,723)
PUBLICATIONS, NOTICES & DUES	-	200	(200)	-	800	(800)	2,000	(2,000)
EQUIPMENT LEASE EXPENSES	271	500	(229)	1,030	2,000	(970)	6,000	(4,970)
INSURANCE EXPENSES	1,549	2,050	(501)	6,482	8,200	(1,718)	24,500	(18,018)
INVESTMENT EXPENSE	-	350	(350)	1,050	1,400	(350)	4,200	(3,150)
ELECTION & PUBLIC HEARING EXP	-	-	-	-	-	-	-	-
COMMUNITY OUT REACH EXP	-	-	-	-	4,500	(4,500)	7,000	(7,000)
TOTAL ADMINISTRATIVE EXPENSES	33,618	32,847	771	136,632	148,688	(12,056)	447,950	(311,318)
TOTAL WATER EXPENSES	336,943	435,297	(98,354)	1,921,711	1,921,002	709	5,164,089	(3,242,378)
NET OPERATING REVENUE/EXPENSE	205,605	126,803	78,802	517,871	371,798	146,073	1,298,811	(780,940)
NON-OPERATING SOURCE OF FUNDS:								
OTHER REVENUE REIMB-MANDATE COSTS	-	-	-	-	-	-	-	-
INTEREST INCOME	18,209	1,500	16,709	28,219	6,000	22,219	18,000	10,219
PROPERTY TAX INCOME	-	-	-	3,670	10,000	(6,330)	40,000	(36,330)
TOTAL NON-OP SOURCE OF FUNDS	18,209	1,500	16,709	31,889	16,000	15,889	58,000	(26,111)
TOTAL REVENUE/EXPENSE	223,814	128,303	95,511	549,760	387,798	161,962	1,356,811	(807,051)
TRANSFER TO CAPITAL FUND-REPLACEMENT				174,829				
TRANSFER TO CAPITAL FUND-IMPROVEMENT				374,931				
CONNECTION FEES				346,013				
CAPACITY USAGE INCOME				234,767				
LONG TERM DEBT REDUCTION				(234,767)				
				-				

**TEMESCAL VALLEY WATER DISTRICT
REVENUE AND EXPENDITURES/BUDGET
For Four Month ending October 31, 2018**

WATER CAPITAL FUND:

ENDING FUNDS AVAILABLE 2017-2018	10,930,588
TRANSFER FOR CAPITAL FUND REPLACEMENT	174,829
TRANSFER FOR CAPITAL IMPROVEMENTS	720,944
CAPITAL IMPROVEMENT (SEE ATTACHED DETAIL)	<u>(233,202)</u>
TOTAL FUNDS AVAILABLE	<u>11,593,159</u>

**TEMESCAL VALLEY WATER DISTRICT
REVENUE AND EXPENDITURES/BUDGET
For Four Month ending October 31, 2018**

	OCT			YEAR TO DATE			BUDGET	BUDGET
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE	2018-2019	REMAINING
<u>ID#1 DEPARTMENT</u>								
OPERATING REVENUE:								
ANNUAL SEWER SERVICE CHARGE	13,725	13,725	-	54,900	54,900	-	164,700	(109,800)
TOTAL ID #1 REVENUE	13,725	13,725	-	54,900	54,900	-	164,700	(109,800)
OPERATING EXPENSES:								
MONTHLY TREATMENT PLANT COSTS	10,766	10,766	-	43,065	43,065	-	133,078	(90,013)
TOTAL OPERATING COSTS	10,766	10,766	-	43,065	43,065	-	133,078	(90,013)
ADMINISTRATIVE EXPENSES:								
ANNUAL ASSESSMENT PROCESSING	-	-	-	-	-	-	3,000	(3,000)
TOTAL ADMINISTRATIVE EXPENSES	-	-	-	-	-	-	3,000	(3,000)
TOTAL ID#1 EXPENSES	10,766	10,766	-	43,065	43,065	-	136,078	(93,013)
NET OPERATING REVENUE/EXPENSE	2,959	2,959	-	11,835	11,835	-	28,622	(16,787)
NON-OPERATING SOURCE OF FUNDS:								
INTEREST INCOME	379	30	349	588	120	468	400	188
TOTAL NON-OPER SOURCE OF FUNDS	379	30	349	588	120	468	400	188
TOTAL REVENUE/EXPENSE	3,338	2,989	349	12,423	11,955	468	29,022	(16,599)
TRANSFER TO CAPITAL FUND-REPLACEMENT				6,595				
TRANSFER TO CAPITAL FUND-IMPROVEMENT				5,828				
				-				
<u>ID #1 FUND BALANCE:</u>								
ENDING FUNDS AVAILABLE 2017-2018	488,997							
TRANSFER FOR CAPITAL FUND REPLACEMENT	6,595							
TRANSFER FOR CAPITAL IMPROVEMENTS	5,828							
CAPITAL IMPROVEMENT (SEE ATTACHED DETAIL)	-							
TOTAL FUNDS AVAILABLE	501,420							

**TEMESCAL VALLEY WATER DISTRICT
REVENUE AND EXPENDITURES/BUDGET
For Four Month ending October 31, 2018**

	OCT			YEAR TO DATE			BUDGET 2018-2019	BUDGET REMAINING
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE		
<i>ID#2 DEPARTMENT</i>								
OPERATING REVENUE:								
ANNUAL SEWER SERVICE CHARGE	15,525	15,525	-	62,100	62,100	-	191,820	(129,720)
TOTAL ID #2 REVENUE	15,525	15,525	-	62,100	62,100	-	191,820	(129,720)
OPERATING EXPENSES:								
MONTHLY TREATMENT PLANT COSTS	12,179	12,179	-	48,713	48,713	-	150,530	(101,817)
TOTAL OPERATING COSTS	12,179	12,179	-	48,713	48,713	-	150,530	(101,817)
ADMINISTRATIVE EXPENSES:								
GENERAL ENGINEERING EXP	-	-	-	-	-	-	2,500	(2,500)
ANNUAL ASSESSMENT PROCESSING	-	-	-	-	-	-	3,000	(3,000)
TOTAL ADMINISTRATIVE EXPENSES	-	-	-	-	-	-	5,500	(5,500)
TOTAL ID#2 EXPENSES	12,179	12,179	-	48,713	48,713	-	156,030	(107,317)
NET OPERATING REVENUE/EXPENSE	3,346	3,346	-	13,387	13,387	-	35,790	(22,403)
NON-OPERATING SOURCE OF FUNDS:								
INTEREST INCOME	758	66	692	1,175	267	908	800	375
TOTAL NON-OPER SOURCE OF FUNDS	758	66	692	1,175	267	908	800	375
TOTAL REVENUE/EXPENSE	4,104	3,412	692	14,562	13,654	908	36,590	(22,028)
TRANSFER TO CAPITAL FUND-REPLACEMENT				24,555				
TRANSFER TO CAPITAL FUND-IMPROVEMENT				(9,993)				
				-				
<i>ID #2 FUND BALANCE:</i>								
ENDING FUNDS AVAILABLE 2017-2018	171,648							
TRANSFER FOR CAPITAL FUND REPLACEMENT	24,555							
TRANSFER FOR CAPITAL IMPROVEMENTS	(9,993)							
CAPITAL IMPROVEMENT-PLANT REMOVAL	-							
TOTAL FUNDS AVAILABLE	186,210							

**TEMESCAL VALLEY WATER DISTRICT
REVENUE AND EXPENDITURES/BUDGET
For Four Month ending October 31, 2018**

	AUG			YEAR TO DATE			BUDGET 2018-2019	BUDGET REMAINING
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE		
<i>NON-POTABLE WATER DEPARTMENT</i>								
OPERATING REVENUE:								
RECYCLED/NON-POTABLE WATER SALES	185,095	153,000	32,095	831,938	663,000	168,938	1,700,000	(868,062)
RECYCLED/ NON-POT WATER FIXED CHARGE	18,023	16,600	1,423	78,141	66,400	11,741	200,000	(121,859)
RECYCLED/NON-POTABLE PUMPING CHARGE	5,874	3,335	2,539	19,492	13,340	6,152	40,000	(20,508)
MISC INCOME	1,000	1,000	-	4,000	4,000	-	12,000	(8,000)
INSPECTION REVENUE	1,514	2,400	(886)	11,157	9,600	1,557	29,000	(17,843)
TOTAL NON-POTABLE REVENUE	211,506	176,335	35,171	944,728	756,340	188,388	1,981,000	(1,036,272)
OPERATING EXPENSES:								
RECYCLED/NON-POTABLE LABOR EXP	5,826	6,600	(774)	23,043	26,400	(3,357)	85,500	(62,457)
INSPECTION WAGES EXPENSE	1,550	1,500	50	6,200	6,000	200	19,600	(13,400)
PAYROLL TAXES EXP	152	140	12	515	560	(45)	1,800	(1,285)
EMPLOYEE BENEFITS-INS	1,090	885	205	5,514	3,540	1,974	11,500	(5,986)
EMPLOYEE BENEFITS-RETIREMENT	-	885	(885)	-	3,540	(3,540)	11,500	(11,500)
MILEAGE EXP	-	20	(20)	-	80	(80)	200	(200)
OVERTIME EXP	3,289	330	2,959	7,001	1,320	5,681	4,000	3,001
VACATION EXP	156	460	(304)	624	1,840	(1,216)	5,500	(4,876)
SCADA SYS EXP	-	420	(420)	1,311	1,680	(369)	5,000	(3,689)
LABORATORY TESTING COSTS	-	300	(300)	-	1,200	(1,200)	3,000	(3,000)
EQUIPMENT REPAIRS & MAINT.	-	8,300	(8,300)	10,199	33,200	(23,001)	100,000	(89,801)
NONPOTABLE WATER LINE REPAIR	-	8,300	(8,300)	-	33,200	(33,200)	100,000	(100,000)
SECURITY AND ALARM EXP	-	-	-	-	470	(470)	1,875	(1,875)
PROPERTY MAINTENANCE	-	420	(420)	218	1,680	(1,462)	5,000	(4,782)
ENERGY COSTS	20,372	24,750	(4,378)	108,461	107,250	1,211	275,000	(166,539)
CONSUMABLE SUPPLIES EXP	-	125	(125)	337	500	(163)	1,500	(1,163)
CHEMICALS, LUBRICANTS & FUELS	427	250	177	1,239	1,000	239	3,000	(1,761)
PERMITS AND FEES EXP	269	500	(231)	934	2,000	(1,066)	6,000	(5,066)
SERVICE METERS AND PARTS COSTS	-	600	(600)	-	2,400	(2,400)	7,000	(7,000)
RECYCLED SIGN/TOOLS EXP	-	400	(400)	-	1,600	(1,600)	4,000	(4,000)
MISC OPERATING EXP	-	-	-	-	125	(125)	500	(500)
POTABLE WATER EXP	-	11,000	(11,000)	-	44,000	(44,000)	130,000	(130,000)
BAD DEBT	-	-	-	-	-	-	1,600	(1,600)
CONTINGENCIES	-	2,000	(2,000)	-	8,000	(8,000)	26,000	(26,000)
TOTAL OPERATING EXPENSES	33,131	68,185	(35,054)	165,596	281,585	(115,989)	809,075	(643,479)

**TEMESCAL VALLEY WATER DISTRICT
REVENUE AND EXPENDITURES/BUDGET
For Four Month ending October 31, 2018**

	OCT			YEAR TO DATE			BUDGET	BUDGET
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE	2018-2019	REMAINING
ADMINISTRATIVE EXPENSES:								
CONTRACT MANAGEMENT	4,266	5,450	(1,184)	19,722	19,900	(178)	62,500	(42,778)
GENERAL ENGINEERING/ PLAN CHECK EXP	525	1,250	(725)	2,525	5,000	(2,475)	15,000	(12,475)
INSPECTION EXP	-	420	(420)	-	1,680	(1,680)	5,000	(5,000)
EMPLOYEE BENEFITS-INS	2,794	1,000	1,794	9,313	4,000	5,313	12,500	(3,187)
EMPLOYEE BENEFITS-RETIREMENT	-	1,150	(1,150)	-	4,600	(4,600)	15,000	(15,000)
WAGES EXPENSE	7,222	7,900	(678)	28,903	31,600	(2,697)	102,500	(73,597)
VACATION EXP	199	600	(401)	798	2,400	(1,602)	7,100	(6,302)
MILEAGE EXP	-	20	(20)	-	80	(80)	200	(200)
OVERTIME EXP	-	50	(50)	-	200	(200)	500	(500)
PAYROLL TAX EXPENSE	119	145	(26)	497	580	(83)	1,850	(1,353)
CONTRACT STAFFING EXP	-	-	-	-	2,000	(2,000)	2,000	(2,000)
LEGAL EXPENSE	-	400	(400)	1,006	1,650	(644)	5,000	(3,994)
AUDIT EXP	-	4,000	(4,000)	-	4,000	(4,000)	4,000	(4,000)
BOARD FEES EXP	451	625	(174)	1,708	2,500	(792)	7,500	(5,792)
ELECTION EXP	-	-	-	-	-	-	-	-
COMPUTER SYSTEMS EXP	-	800	(800)	2,499	3,200	(701)	10,000	(7,501)
BANK CHARGES	1,400	800	600	5,101	3,200	1,901	10,000	(4,899)
MISC & EDUCATION EXP	-	80	(80)	150	320	(170)	1,000	(850)
TELEPHONE EXP	285	500	(215)	2,074	2,000	74	6,000	(3,926)
OFFICE SUPPLIES	294	400	(106)	1,335	1,650	(315)	5,000	(3,665)
PRINTING EXP	88	250	(162)	88	1,000	(912)	3,000	(2,912)
POSTAGE EXP	569	710	(141)	3,819	2,840	979	8,500	(4,681)
PUBLICATION EXP	-	170	(170)	-	680	(680)	2,000	(2,000)
EQUIPMENT LEASE EXP	194	300	(106)	736	1,200	(464)	3,500	(2,764)
INSURANCE EXPENSE	1,107	1,460	(353)	4,630	5,840	(1,210)	17,500	(12,870)
ANNUAL ASSESSMENT EXP	-	-	-	-	3,000	(3,000)	3,000	(3,000)
INVESTMENT EXPENSE	-	250	(250)	750	1,000	(250)	3,000	(2,250)
COMMUNITY OUTREACH EXP	-	-	-	-	2,300	(2,300)	4,800	(4,800)
TOTAL ADMINISTRATIVE EXPENSES	19,513	28,730	(9,217)	85,654	108,420	(22,766)	317,950	(232,296)
TOTAL NON-POTABLE OPERATING EXPENSES	52,644	96,915	(44,271)	251,250	390,005	(138,755)	1,127,025	(875,775)
NET OPERATING REVENUE/EXPENSE	158,862	79,420	79,442	693,478	366,335	327,143	853,975	(160,497)
NON-OPERATING SOURCE OF FUNDS:								
INTEREST INCOME	4,173	300	3,873	6,467	1,200	5,267	3,500	2,967
TOTAL NON-OP SOURCE OF FUNDS	4,173	300	3,873	6,467	1,200	5,267	3,500	2,967
TOTAL REVENUE/EXPENSE	163,035	79,720	83,315	699,945	367,535	332,410	857,475	(157,530)
TRANSFER TO CAPITAL FUND-REPLACEMENT				118,816				
TRANSFER TO CAPITAL FUND-IMPROVEMENT				581,129				
CONNECTION FEES				-				
				-				
NON-POTABLE FUND BALANCE:								
ENDING FUNDS AVAILABLE 2017-2018	2,668,491							
TRANSFER FOR CAPITAL FUND REPLACEMENT	118,816							
TRANSFER FOR CAPITAL IMPROVEMENTS	581,129							
CAPITAL IMPROVEMENT (SEE ATTACHED DETAIL)	(306,164)							
TOTAL FUNDS AVAILABLE	3,062,272							

Temescal Valley Water District
Capital Projects
Yearly Miscellaneous and Multi - Year

Capital Projects FY 2018/2019 Maintenance/ General Projects	Total Cost	Source of Funding			AS OF OCTOBER 31, 2018 EXPENDITURES				Total YTD	Variance
		Sewer Fund	Water Fund	Recycled Fund	Previous YR	Current				
						Sewer Fund	Water Fund	Recycled Fund		
Computer and Software Upgrades	\$ 25,000	\$ 10,000	\$ 8,750	\$ 6,250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,000
General Building Improvements	\$ 40,000	\$ 16,000	\$ 14,000	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,000
Convert to Recycled	\$ 135,000	\$ -	\$ 75,000	\$ 60,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 135,000
Replace VFD	\$ 40,000	\$ 40,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,000
Sewer Management Plan Update	\$ 45,000	\$ 45,000	\$ -	\$ -	\$ 9,562	\$ -	\$ -	\$ -	\$ -	\$ 35,438
New Generator design	\$ 54,150	\$ 54,150	\$ -	\$ -	\$ 43,065	\$ -	\$ -	\$ -	\$ -	\$ 11,085
Park Canyon RW Design and Easements	\$ 90,000	\$ -	\$ -	\$ 90,000	\$ 17,074	\$ -	\$ -	\$ -	\$ -	\$ 72,926
Water System Master Plan Update	\$ 20,000	\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ 15,085	\$ -	\$ 15,085	\$ 4,915
Sewer System Master Plan	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -	\$ 10,523	\$ -	\$ -	\$ 10,523	\$ 89,477
Non-Potable Recycled Water Plan Update	\$ 30,000	\$ -	\$ -	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,000
WRF Compliance Instrumentation Replacement	\$ 40,000	\$ 25,000	\$ -	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,000
Well Cleaning and Rehab	\$ 125,000	\$ -	\$ 50,000	\$ 75,000	\$ 61,723	\$ -	\$ -	\$ -	\$ -	\$ 63,277
Operation Building Office Rehab and Improvements	\$ 85,000	\$ 34,000	\$ 30,000	\$ 21,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,000
Painting Syc Crk Potable Water Tank	\$ 500,000	\$ -	\$ 500,000	\$ -	\$ -	\$ -	\$ 10,492	\$ -	\$ 10,492	\$ 489,508
Forklift	\$ 25,000	\$ 25,000	\$ -	\$ -	\$ -	\$ 17,936	\$ -	\$ -	\$ 17,936	\$ 7,064
Cap Rock Potable pipeline	\$ 200,000	\$ -	\$ 200,000	\$ -	\$ -	\$ -	\$ 200,000	\$ -	\$ 200,000	\$ -
New Energy Saving Plant Lighting	\$ 52,000	\$ 52,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,000
Air Actuator valves	\$ 42,000	\$ 42,000	\$ -	\$ -	\$ 21,984	\$ -	\$ -	\$ -	\$ -	\$ 20,016
Subtotal Maintenance and General	\$ 1,648,150	\$ 443,150	\$ 897,750	\$ 307,250	\$ 153,408	\$ 28,459	\$ 225,577	\$ -	\$ 254,036	\$ 1,240,706
Multiple Fiscal Year Projects										
Knabe Non-Potable Line	\$ 722,000	\$ -	\$ -	\$ 722,000	\$ 411,823	\$ -	\$ -	\$ 294,118	\$ 294,118	\$ 16,059
Recycled and Non-potable Pipeline extentions	\$ 775,000	\$ -	\$ -	\$ 775,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 775,000
Upgrade STP PLCs	\$ 250,000	\$ 100,000	\$ 87,500	\$ 62,500	\$ 229,114	\$ -	\$ -	\$ -	\$ -	\$ 20,886
WRF 225,000 GPD Upgrade (SBR Controls)	\$ 1,230,000	\$ 1,230,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,230,000
WRF 225,000 GPD Upgrade (Generator)	\$ 500,000	\$ 500,000	\$ -	\$ -	\$ 29,024	\$ -	\$ -	\$ -	\$ -	\$ 470,976
WRF 225,000 GPD Expansion (District Share)	\$ 3,520,000	\$ 3,520,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,520,000
GIS Mapping - Water Sewer RW pipelines and facilities	\$ 171,700	\$ 66,000	\$ 66,000	\$ 39,700	\$ 62,466	\$ 3,624	\$ 3,665	\$ -	\$ 7,289	\$ 101,945
Well Replacement	\$ 300,000	\$ -	\$ -	\$ 300,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300,000
SCADA Tower	\$ 60,000	\$ 30,000	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,000
Groundwater Study and Development (inc GSA)	\$ 428,000	\$ -	\$ 60,000	\$ 368,000	\$ 131,140	\$ -	\$ -	\$ -	\$ -	\$ 296,860
Alternate Tertiary Percolation Area	\$ 320,000	\$ 300,000	\$ -	\$ 20,000	\$ 152,143	\$ -	\$ -	\$ 12,046	\$ 12,046	\$ 155,811
Dawson Canyon Potable Reservoir Design	\$ 160,000	\$ -	\$ 160,000	\$ -	\$ 61,257	\$ -	\$ -	\$ -	\$ -	\$ 98,743
Corona Customer Conversion-Temescal Cyn Rd.	\$ 225,000	\$ -	\$ 225,000	\$ -	\$ -	\$ -	\$ 3,960	\$ -	\$ 3,960	\$ 221,040
COR Temescal Cyn Rd widening - pipeline relocation.	\$ 500,000	\$ -	\$ 250,000	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500,000
Subtotal Multiple Year	\$ 9,161,700	\$ 5,746,000	\$ 878,500	\$ 2,537,200	\$ 1,076,967	\$ 3,624	\$ 7,625	\$ 306,164	\$ 317,413	\$ 7,767,320
TOTAL	\$ 10,809,850	\$ 6,189,150	\$ 1,776,250	\$ 2,844,450	\$ 1,230,375	\$ 32,083	\$ 233,202	\$ 306,164	\$ 571,449	\$ 9,008,026

TEMESCAL VALLEY WATER DISTRICT
General Ledger
For the Period From Oct 1, 2018 to Oct 31, 2018

Filter Criteria includes: 1) IDs from 567500.3 to 567500.5. Report order is by ID. Report is printed in Detail Format.

Account ID Account Description	Date	Reference	Jrn	Trans Description	Debit Amt	Credit Amt	Balance
567500.3	10/1/18			Beginning Balance			41,683.93
EQUIPMENT REPAIRS & MAIN	10/1/18	21741	CD	EDUARDO LOPEZ - EQUIPMENT REPAIRS & MAINT.	40.00		
	10/9/18	4691	PJ	UNITED POWER GENERATION - LEVEL 1 GENERATOR INSPECTION FOR ALL LIFT STATIONS, BOOSTER PUMP + WAST WATER QUARTERLY	3,755.05		
	10/10/1	21642	CD	EDUARDO LOPEZ - EQUIPMENT REPAIRS & MAINT.	40.00		
	10/12/1	52069	PJ	RICHARDSON TECHNOLOGIES INC.	396.00		
	10/12/1	52153	PJ	RICHARDSON TECHNOLOGIES INC.	399.00		
	10/12/1	52201	PJ	RICHARDSON TECHNOLOGIES INC. - NEW FAN MOTOR FOR RECLAIMED PUMP ROOM AIR COND #2	865.00		
	10/16/1	1810610	PJ	ONESTOP PLUMBERS	95.00		
	10/16/1	S2760666-0	PJ	PIRTEK FLUID TRANSFER SOLUTION	378.17		
	10/24/1	21702	CD	EDUARDO LOPEZ - EQUIPMENT REPAIRS & MAINT.	40.00		
	10/30/1	11174986	PJ	HACH COMPANY - COLORIMETER MULTI USE	1,436.00		
	10/30/1	11174986	PJ	HACH COMPANY - NITRAVER X 50 TEST SET- NITRATE	89.25		
	10/30/1	11174986	PJ	HACH COMPANY - AMVER HR 50 TEST SET AMMONIA	109.00		
	10/30/1	11174986	PJ	HACH COMPANY - TAX & FEE	203.28		
				Current Period Change	7,845.75		7,845.75
	10/31/1			Ending Balance			49,529.68
567500.4	10/1/18			Beginning Balance			6,178.74
EQUIPMENT REPAIRS & MAIN	10/1/18	21741	CD	EDUARDO LOPEZ - EQUIPMENT REPAIRS & MAINT.	40.00		
	10/3/18	315-1	PJ	GJR ELECTRIC - TRILOGY PUMP STATION AIR CONDITIONER PROJECT	986.37		
	10/10/1	21642	CD	EDUARDO LOPEZ - EQUIPMENT REPAIRS & MAINT.	40.00		
	10/12/1	24152	PJ	MASTER TECH MECHANICAL	9,522.00		
	10/24/1	21702	CD	EDUARDO LOPEZ - EQUIPMENT REPAIRS & MAINT.	40.00		
	10/31/1	2765-E	PJ	GMC ELECTRICAL INC - 2 YEAR AGREEMENT FOR CATHODIC PROTECTION FOR SYSTEM RESERVOIRS	1,625.00		
				Current Period Change	12,253.37		12,253.37
	10/31/1			Ending Balance			18,432.11
567500.5	10/1/18			Beginning Balance			10,199.33
EQUIPMENT REPAIRS & MAIN	10/31/1			Ending Balance			10,199.33

TEMESCAL VALLEY WATER DISTRICT
Community Facilities District No. 1
Financing Authority
(Sycamore Creek)
10/31/2018

<u>Special Tax Fund (Acct #105636-009)</u> Account Balance at Wilmington Trust	\$	0.56
<hr/>		
<u>BONDS PR ACCT (Acct # 105636-010)</u> Account Balance at Wilmington Trust		190.90
<hr/>		
<u>Administrative Expense Fund(Acct #105636-011)</u> Account Balance at Wilmington Trust		1.42
<hr/>		
<u>Surplus Fund (Acct #105636-012)</u> Account Balance at Wilmington Trust		1,485,178.09
<hr/>		
<u>Re-call Fund (Acct #105636-025)</u> Account Balance at Wilmington Trust		-
<hr/>		
TOTAL	\$	1,485,370.97

TEMESCAL VALLEY WATER DISTRICT
Community Facilities District No. 2
Financing Authority
(Montecito Ranch)
10/31/2018

<u>Special Tax Fund (Acct #105636-014)</u> Account Balance at Wilmington Trust	\$	0.08
<hr/>		
<u>BONDS PR ACCT (Acct # 105636-015)</u> Account Balance at Wilmington Trust		28.89
<hr/>		
<u>Administrative Expense Fund(Acct #105636-016)</u> Account Balance at Wilmington Trust		1.33
<hr/>		
<u>Surplus Fund (Acct #105636-017)</u> Account Balance at Wilmington Trust		376,631.21
<hr/>		
TOTAL	\$	376,661.51

TEMESCAL VALLEY WATER DISTRICT
Community Facilities District No. 3
Financing Authority
(The Retreat)
10/31/2018

<u>Special Tax Fund (Acct #105636-019)</u> Account Balance at Wilmington Trust	\$ 0.40
<hr/>	
<u>BONDS PR ACCT (Acct # 105636-020)</u> Account Balance at Wilmington Trust	142.18
<hr/>	
<u>Administrative Expense Fund(Acct #105636-021)</u> Account Balance at Wilmington Trust	1.42
<hr/>	
<u>Surplus Fund (Acct #105636-022)</u> Account Balance at Wilmington Trust	971,674.25
<hr/>	
TOTAL	\$ 971,818.25

**TEMESCAL VALLEY WATER DISTRICT
Community Facilities District
Financing Authority**

10/31/2018

Senior Lien Bonds - Revenue Fund (Acct #105636-000)	\$	-
- Lien Interest A/C (Acct #105636-001)		21,475.57
- Lien Principal A/C (Acct #105636-002)		-
- Financing Authority Surplus A/C (Acct #105636-003)		-
- Reserve Fund CFD #1 (Acct #105636-004)		2,268,227.84
- Reserve Fund CFD #2 (Acct #105636-005)		276,393.84
- Reserve Fund CFD #3 (Acct #105636-006)		1,497,306.47
Junior Lien Bonds - Revenue Fund (Acct #105639-000)	\$	0.01
- Lien Interest A/C (Acct #105639-001)		23,702.14
- Lien Principal A/C (Acct #105639-002)		-
- Financing Authority Surplus A/C (Acct #105639-003)		-
- Reserve Fund CFD #1 (Acct #105639-004)		619,783.27
- Reserve Fund CFD #2 (Acct #105639-005)		100,293.52
- Reserve Fund CFD #3 (Acct #105639-006)		541,504.01
TOTAL		\$ 5,348,686.67



**JOHN CHIANG
TREASURER
STATE OF CALIFORNIA**



PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
10/15/18	2.14	2.13	200
10/16/18	2.15	2.13	198
10/17/18	2.15	2.13	198
10/18/18	2.16	2.13	197
10/19/18	2.16	2.13	197
10/20/18	2.16	2.13	197
10/21/18	2.16	2.13	197
10/22/18	2.16	2.14	199
10/23/18	2.16	2.14	200
10/24/18	2.16	2.14	202
10/25/18	2.16	2.14	200
10/26/18	2.16	2.14	201
10/27/18	2.16	2.14	201
10/28/18	2.16	2.14	201
10/29/18	2.17	2.14	203
10/30/18	2.17	2.14	201
10/31/18	2.19	2.14	201
11/01/18	2.19	2.15	206
11/02/18	2.19	2.15	206
11/03/18	2.19	2.15	206
11/04/18	2.19	2.15	206
11/05/18	2.19	2.15	205
11/06/18	2.19	2.15	205
11/07/18	2.19	2.15	203
11/08/18	2.20	2.15	213
11/09/18	2.21	2.16	205
11/10/18	2.21	2.16	205
11/11/18	2.21	2.16	205
11/12/18	2.21	2.16	205
11/13/18	2.20	2.16	203
11/14/18	2.21	2.16	201

*Daily yield does not reflect capital gains or losses

[View Prior Month Daily Rates](#)

LAIF Performance Report

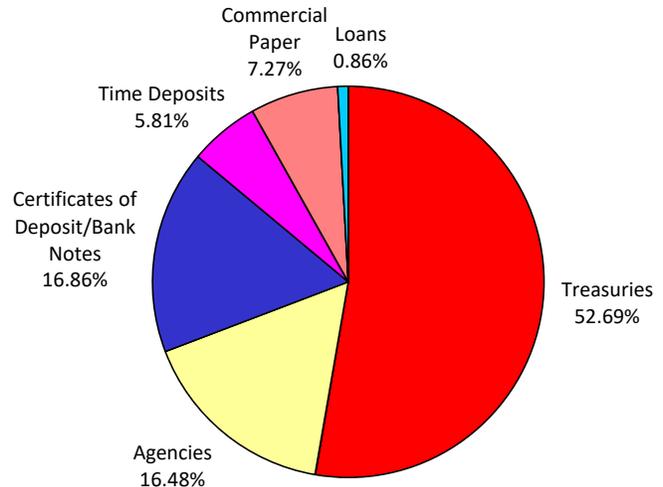
Quarter Ending 09/30/18

Apportionment Rate: 2.16%
 Earnings Ratio: 0.00005909460836489
 Fair Value Factor: 0.997832404
 Daily: 2.09%
 Quarter to Date: 2.00%
 Average Life: 193

PMIA Average Monthly Effective Yields

Oct 2018 2.144
 Sept 2018 2.063
 Aug 2018 1.998

**Pooled Money Investment Account
Portfolio Composition
10/31/18
\$84.7 billion**



Percentages may not total 100%, due to rounding.

Based on data available as of 11/14/2018

Active Lien Board Update

Balance as of 10/23/18: \$11,210.20

Payments received: \$137.64

New liens recorded: \$1,849.85

ACTIVE

Active liens value \$1,988.33

Number of active liens 13

WRITTEN OFF

Written off liens value \$10,934.08

Number of written off liens 53

Released liens 6/13/07 - 11/27/18: **\$173,752.38**

MEMORANDUM

DATE: November 27, 2018

TO: Board of Directors
Temescal Valley Water District

FROM: Jeff Pape, General Manager
Scott Smith, CFD Financial Advisor

SUBJECT: Improvement Area No. 1 (“IA No. 1”) of Community Facilities District No. 4 (Terramor) (the “CFD”) Authorizing the Issuance of its Special Tax Bonds, Series 2018 (the “Bonds”)

BACKGROUND and ANALYSIS

The District formed IA No. 1 and the CFD on November 22, 2016. Subsequent to a noticed public hearing, the Board adopted resolutions which established IA No. 1 within the CFD, authorized the levy of a special tax, determined the necessity to incur bonded indebtedness, and called an election on the proposition of incurring bonded indebtedness, levying a special tax and setting an appropriations limit, all within IA. No. 1.

An election was held within IA. No 1 at which the landowners eligible to vote approved the issuance of bonds for the District in an amount not to exceed \$28,000,000 and approved a rate and method of apportionment of special tax for IA No. 1 (the “Rate and Method”). A copy of the Rate and Method is included within the Preliminary Official Statement (the “POS”). The Board also approved an Acquisition Agreement and a Joint Community Facilities Agreement related to use of Special Tax bond proceeds to acquire certain public improvements from Forestar Toscana Development Company (the “Developer”) for the benefit of the District, Riverside County, and the Riverside County Flood Control District.

In accordance with the District’s Local Goals and Policies for CFD financing, the District has engaged an independent MAI appraiser, Kitty Siino & Associates (the “Appraiser”), to determine the bulk sale value of the property within IA No. 1. As of November 6, 2018, the Appraiser has estimated the value of the taxable property within IA No. 1 to be \$143,910,489. A copy of the appraisal is included within the POS. As the appraisal date,

IA No. 1 included 105 completed residential homes conveyed to homeowners, 35 residential homes completed (including models) or under construction, and 458 finished lots subject to the special tax. Portions of the property have been purchased and are being developed by KB Home, CalAtlantic/Lennar, Van Daele Homes, and Pulte Home Company (the “Merchant Builders”). The appraised value among homeowners, the Merchant Builders and the Developer are as follows:

	<u># of Units</u>	<u>Appraised Value</u>
Individual Homeowners	105	\$50,996,592
Merchant Builder Completed & Unsold Homes	35	14,100,179
Merchant Builder Finished Lots	287	49,149,967
Forestar Finished Lots	171	29,663,751
	598	\$143,910,489

As further described in Attachment A (the “Good Faith Estimates”), the proposed Bonds are expected to be issued in a par amount of approximately \$22,815,000 with a final maturity in 2048. Bonds will be primarily used to reimburse the Developer for the cost of public improvements constructed by the Developer in accordance with the terms of the Acquisition Agreement and the Joint Community Facilities Agreement.

Based on the appraised value, the aggregate value-to-lien within IA No. 1 is approximately 5.98:1. The value-to-lien by ownership are estimated in Tables 6 and 7 of the POS.

The attached resolution approves the issuance of the Bonds, the form of the Indenture, the Bond Purchase Agreement, the Continuing Disclosure Certificate and the POS. As part of its obligations under federal securities laws, the Board should review the Preliminary Official Statement.

FISCAL IMPACT

The Bonds are paid from special taxes levied in IA No. 1. There is no fiscal impact to the District's General Fund. The District will, however, be required to provide administration for the District, which will be funded as part of the annual special tax levy.

RECOMMENDATION

It is recommended that the Board of Directors:

Adopt a resolution of the Board of Directors, acting as the legislative body of the Improvement Area No. 1 of Community Facilities District No. 4 (Terramor), authorizing the issuance of its Special Tax Bonds, Series 2018 in a principal amount not to exceed \$24,000,000 dollars and approving certain documents and taking certain other actions in connection therewith.

Respectfully submitted,



Jeff Pape
General Manager

Attachments

1. Good Faith Estimate – attached to this document
2. Resolution – Separate Document
3. Indenture of Trust– Separate Document
4. Bond Purchase Agreement– Separate Document
5. Continuing Disclosure Certificate– Separate Document
6. Preliminary Official Statement – Separate Document

GOOD FAITH ESTIMATE

The good faith estimates set forth herein are provided with respect to the Bonds in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the District by CSG Advisors Incorporated (the “Municipal Advisor”) in consultation with Piper Jaffray & Company (the “Underwriter”).

Principal Amount. The Municipal Advisor has informed the District that, based on the financing plan and current market conditions, its good faith estimate of the aggregate principal amount of the Bonds to be sold is **\$22,815,000** (the “Estimated Principal Amount”), which excludes approximately **\$648,000** of net original issue discount estimated to be generated based on current market conditions. Net original issue discount is generated when, on a net aggregate basis for a single issuance of bonds, the price paid for such bonds is lower than the face value of the bonds.

True Interest Cost of the Bonds. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is **4.65%**.

Finance Charge of the Bonds. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the finance charge for the Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the Bonds), is **\$528,000**.

Amount of Proceeds to be Received. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received by the District, on behalf of the District, for the sale of the Bonds, less the finance charge of the Bonds, as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is **\$19,902,000**.

Total Payment Amount. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the total payment amount, which means the sum total of all payments the District will make to pay debt service on the Bonds, plus the finance charge for the Bonds, as described above, not paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is **\$41,180,000** (excluding offsets from reserves in the amount of **\$1,400,000** and capitalized interest of **\$292,000**).

The foregoing estimates constitute good faith estimates only. The actual principal amount of the Bonds issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of the sale of the Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of Bonds sold being different from the Estimated Principal Amount, (c) the actual amortization of the Bonds being different than the amortization assumed for purposes of such estimates, (d) the actual market interest rates at the time of sale of the Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the financing plan or finance charges, or a combination of such factors. The actual date of sale of the Bonds and the actual principal amount of Bonds sold will be determined by the District, on behalf of the District, based on the timing of the need for proceeds of the Bonds and other factors. The actual interest rates borne by the Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the District.

Resolution No. R-18-15

TEMESCAL VALLEY WATER DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR),
IMPROVEMENT AREA NO. 1
FISCAL YEAR 2018/2019 PROPOSED SPECIAL TAX LEVY

RESOLUTION OF THE BOARD OF DIRECTORS TEMESCAL VALLEY WATER DISTRICT ACTING AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR), IMPROVEMENT AREA NO. 1 (DIRECT CONSTRUCTION FUNDING; BONDS NOT YET ISSUED) AUTHORIZING THE LEVY OF SPECIAL TAXES FOR FISCAL YEAR 2018/2019.

WHEREAS, the Board of Directors of the Temescal Valley Water District, CALIFORNIA (hereinafter referred to as the "legislative body") has initiated proceedings, held a public hearing, conducted an election and received a favorable vote from the qualified electors relating to the levy of a special tax in a Community Facilities District, all as authorized pursuant to the terms and provisions of the "Mello-Roos Community Facilities Act of 1982", being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California. This Community Facilities District shall hereinafter be referred to as "District"; and,

WHEREAS, this legislative body, by Ordinance as authorized by Section 53340 of the Government Code of the State of California, has authorized the levy of a special tax to pay for costs and expenses related to said Community Facilities Districts, and this legislative body is desirous to establish the specific rate of the special tax to be collected for the next fiscal year.

NOW, THEREFORE, IT IS HEREBY RESOLVED AS FOLLOWS:

SECTION 1. That the above recitals are all true and correct.

SECTION 2. That the specific rate and amount of the special tax to be collected to pay for the costs and expenses for the next fiscal year 2018/2019 for the referenced District is hereby determined and established as set forth in the attached, referenced and incorporated as Exhibit "A".

SECTION 3. That the rate as set forth above does not exceed the amount as previously authorized by Ordinance of this legislative body, and is not in excess of that as previously approved by the qualified electors of the District, and is in compliance with Section XIID of the California State Constitution, which was enacted with the passage of Proposition 218.

SECTION 4. That the proceeds of the special tax shall be used to pay, in whole or in part, the costs of the following:

- A. Payment of principal of and interest on any outstanding authorized bonded indebtedness;
- B. Necessary replenishment of bond reserve funds or other reserve funds;
- C. Payment of costs and expenses of authorized public facilities;
- D. Repayment of advances and loans, if appropriate; and

Resolution No. R-18-15

**TEMESCAL VALLEY WATER DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR),
IMPROVEMENT AREA NO. 1
FISCAL YEAR 2018/2019 PROPOSED SPECIAL TAX LEVY**

E. Payment of District administrative costs.

The proceeds of the special taxes shall be used as set forth above, and shall not be used for any other purpose.

SECTION 5. The special tax shall be collected in the same manner as ordinary ad valorem property taxes are collected, and shall be subject to the same penalties and same procedure and sale in cases of any delinquency for ad valorem taxes, and the Tax Collector is hereby authorized to deduct reasonable administrative costs incurred in collecting any said special tax.

SECTION 6. All monies above collected shall be paid into the Community Facilities District funds, including any bond fund and reserve fund.

SECTION 7. The Auditor of the County is hereby directed to enter in the next County assessment roll on which taxes will become due, opposite each lot or parcel of land affected in a space marked "public improvements, special tax" or by any other suitable designation, the installment of the special tax, and for the exact rate and amount of said tax, reference is made to the attached Exhibit "A".

SECTION 8. The County Auditor shall then, at the close of the tax collection period, promptly render to this Agency a detailed report showing the amount and/or amounts of such special tax installments, interest, penalties and percentages so collected and from what property collected, and provide a statement of any percentages retained for the expense of making any such collection.

EXHIBIT "A"

TEMESCAL VALLEY WATER DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 4, IMPROVEMENT AREA No. 1
FISCAL YEAR 2018/2019 PROPOSED SPECIAL TAX LEVY

1. Special Tax Requirement

The amount of the proposed Special Tax Levy for FY 2018/2019 is as follows:

Special Tax Requirement	FY 2018/2019 Proposed Dollars Levied ⁽¹⁾
Principal ⁽²⁾	\$0.00
Interest ⁽²⁾	0.00
Direct Construction Funding	440,534.00
Administrative Expenses	0.00
Adjustments – Addition or (Credit)	0.00
Total Special Tax Requirement	\$440,534.00
Variances due to Rounding ⁽¹⁾	0.00
Total Proposed Special Tax Levy	\$440,534.00

(1) Small differences between the Special Tax Requirement and Total Proposed Dollars Levied are due to rounding.

(2) Bonds have not been issued yet. Fiscal Year 2018/2019 is the first year the CFD is being levied.

2. Proposed Special Tax Rate

The following tables summarize the number of parcels, units and acreage information relating to each tax rate zone classification as well as the proposed special tax rate for each category.

Zone A					
Land Use Classification	Residential Floor Area (Sqft)	Number of Parcels	Units/Acres	FY 2018/19 Proposed Special Tax Rate Per Unit/Acre	FY 2018/19 Proposed Dollars Levied ⁽¹⁾
Developed					
1 – Residential	2,301 or greater than	20	20 Units	\$3,183.00	\$63,660.00
2 – Residential	2,151 to 2,300	9	9 Units	\$3,094.00	27,846.00
3 – Residential	2,001 to 2,150	0	0 Units	\$2,977.00	0.00
4 – Residential	1,851 to 2,000	0	0 Units	\$2,888.00	0.00
5 – Residential	Less than 1,851	0	0 Units	\$2,799.00	0.00
6 – Nonresidential	N/A	0	0 Acres	\$29,636.00	0.00
SUBTOTAL		29			\$91,506.00
Undeveloped					
7 – Approved	N/A	0	0 Acres	\$0.00	\$0.00
7 – Undeveloped	N/A	14	79.21 Acres	\$0.00	0.00
SUBTOTAL		14			\$91,506.00
Zone B					
Land Use Classification	Residential Floor Area (Sqft)	Number of Parcels	Units/Acres	FY 2018/19 Proposed Special Tax Rate Per Unit/Acre	FY 2018/19 Proposed Dollars Levied ⁽¹⁾
Developed					
1 – Residential	2,600 or greater than	0	0 Units	\$3,274.00	\$0.00
2 – Residential	2,300 to 2,599	10	10 Units	\$2,888.00	28,880.00
3 – Residential	1,900 to 2,299	84	84 Units	\$2,502.00	210,168.00
4 – Residential	1,601 to 1,899	52	52 Units	\$2,115.00	109,980.00
5 – Residential	Less than 1,601	0	0 Units	\$1,986.00	0.00
6 – Nonresidential	N/A	0	0 Acres	\$16,532.00	0.00
SUBTOTAL		146			\$349,028.00
Undeveloped					
7 – Approved	N/A	0	0 Acres	\$0.00	\$0.00
7 – Undeveloped	N/A	213	79.49 Acres	\$0.00	0.00
SUBTOTAL		213			\$349,028.00
TOTAL		402			\$440,534.00

(1) Small differences between the Special Tax Requirement and Total Proposed Dollars Levied are due to rounding.

EXHIBIT "A"

TEMESCAL VALLEY WATER DISTRICT
 COMMUNITY FACILITIES DISTRICT NO. 4, IMPROVEMENT AREA No. 1
 FISCAL YEAR 2018/2019 PROPOSED SPECIAL TAX LEVY

3. Percent of Maximum Special Tax Rate

The following tables summarize the percent of the Proposed Special Tax to the Maximum Special Tax rate.

Zone A			
Land Use Classification	FY 2018/2019 Maximum Special Tax Rate ⁽¹⁾	FY 2018/2019 Proposed Special Tax Rate	FY 2018/2019 Percent of Maximum
Developed ⁽²⁾			
1 - Residential	\$3,183.00	\$3,183.00	100.00%
2 - Residential	\$3,094.00	\$3,094.00	100.00%
3 - Residential	\$2,977.00	\$2,977.00	100.00%
4 - Residential	\$2,888.00	\$2,888.00	100.00%
5 - Residential	\$2,799.00	\$2,799.00	100.00%
6 - Nonresidential	\$29,636.00	\$29,636.00	100.00%
Undeveloped			
7 - Approved ⁽³⁾	\$29,636.00	\$0.00	0.00%
7 - Undeveloped ⁽⁴⁾	\$29,636.00	\$0.00	0.00%
Zone B			
Land Use Classification	FY 2018/2019 Maximum Special Tax Rate ⁽¹⁾	FY 2018/2019 Proposed Special Tax Rate	FY 2018/2019 Percent of Maximum
Developed ⁽²⁾			
1 - Residential	\$3,274.00	\$3,274.00	100.00%
2 - Residential	\$2,888.00	\$2,888.00	100.00%
3 - Residential	\$2,502.00	\$2,502.00	100.00%
4 - Residential	\$2,115.00	\$2,115.00	100.00%
5 - Residential	\$1,986.00	\$1,986.00	100.00%
6 - Nonresidential	\$16,532.00	\$16,532.00	100.00%
Undeveloped			
7 - Approved ⁽³⁾	\$16,532.00	\$0.00	0.00%
7 - Undeveloped ⁽⁴⁾	\$16,532.00	\$0.00	0.00%

(1) In accordance with the Rate and Method of Apportionment, the assigned special tax rate does not escalate each year.

(2) Developed parcels are final map parcels for which a building permit was issued as of March 1st of the prior Fiscal Year.

(3) Approved Property means all parcels of Taxable Property, exclusive of Developed Property, Taxable Property Owner Association Property, and Taxable Public Property, for which a Final Map was recorded prior to January 1 of the previous Fiscal Year.

(4) Undeveloped Property means all parcels of Taxable Property, which are not classified to be Approved, Developed, or Other Taxable Property.

EXHIBIT "A"

TEMESCAL VALLEY WATER DISTRICT
 COMMUNITY FACILITIES DISTRICT NO. 4, IMPROVEMENT AREA No. 1
 FISCAL YEAR 2018/2019 PROPOSED SPECIAL TAX LEVY

4. Percent Change From Prior Year

The following tables summarize the percent change from the Fiscal Year 2017/2018. ⁽¹⁾

Zone A			
Land Use Classification	FY 2018/2019 Proposed Special Tax Rate ⁽²⁾	FY 2017/2018 Proposed Special Tax Rate	Percent Change from FY 2017/2018
Developed ⁽³⁾			
1 – Residential	\$3,183.00	\$0.00	100.00%
2 – Residential	\$3,094.00	\$0.00	100.00%
3 – Residential	\$2,977.00	\$0.00	100.00%
4 – Residential	\$2,888.00	\$0.00	100.00%
5 – Residential	\$2,799.00	\$0.00	100.00%
6 – Nonresidential	\$29,636.00	\$0.00	100.00%
Undeveloped			
7 - Approved ⁽⁴⁾	\$0.00	\$0.00	0.00%
7 - Undeveloped ⁽⁵⁾	\$0.00	\$0.00	0.00%
Zone B			
Land Use Classification	FY 2018/2019 Proposed Special Tax Rate ⁽²⁾	FY 2017/2018 Proposed Special Tax Rate	Percent Change from FY 2017/2018
Developed ⁽³⁾			
1 – Residential	\$3,274.00	\$0.00	100.00%
2 – Residential	\$2,888.00	\$0.00	100.00%
3 – Residential	\$2,502.00	\$0.00	100.00%
4 – Residential	\$2,115.00	\$0.00	100.00%
5 – Residential	\$1,986.00	\$0.00	100.00%
6 – Nonresidential	\$16,532.00	\$0.00	100.00%
Undeveloped			
7 - Approved ⁽⁴⁾	\$0.00	\$0.00	0.00%
7 - Undeveloped ⁽⁵⁾	\$0.00	\$0.00	0.00%

(1) Fiscal Year 2018/2019 is the first year the CFD is being levied.

(2) Slight Variances are due to rounding.

(3) Developed parcels are final map parcels for which a building permit was issued as of March 1st of the prior Fiscal Year.

(4) Approved Property means all parcels of Taxable Property, exclusive of Developed Property, Taxable Property Owner Association Property, and Taxable Public

(5) Undeveloped Property means all parcels of Taxable Property, which are not classified to be Approved, Developed, or Other Taxable Property.



TO: Paul Angulo, CPA, MA
Riverside County Auditor-Controller

FROM: Temescal Valley (formerly Lee Lake) Water District

SUBJECT: Compliance with Proposition 218

DATE: Monday, August 06, 2018

The Temescal Valley (formerly Lee Lake) Water District represents that the charges associated with property tax fund number 68-0163 identified on the County Tax Roll as Community Facilities District No. 4, Terramor, Improvement Area No. 1 is in compliance with the articles of Proposition 218 cited below.

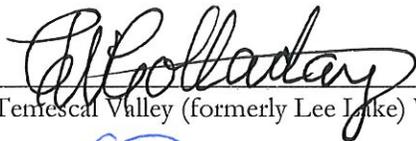
The County Auditor-Controller/County of Riverside agrees to enter all assessments, fees, charges, or taxes for the Water District upon receipt of such roll on or about August 10, 2018 based upon such certification.

The Water District shall be solely liable and responsible, and will defend, indemnify and hold the County and this office harmless from any liability as a result of claims or claims for refunds and related interest due filed by taxpayers against any assessments, fees, charges or taxes placed on the roll for the Water District by the County.

Article XIII C. Sec.2 (c) *"Any general tax imposed, extended, or increased, without voter approval, by any local government on or after January 1, 1995, and prior to the effective date of this article, shall continue to be imposed only if approved by a majority vote of the voters voting in an election on the issue of the imposition, which election shall be held within two years of the effective date of this article and in compliance with subdivision (b)."*

Article XIII D. Sec. 5 *"... this article shall become effective the day after the election unless otherwise provided. Beginning July 1, 1997, all existing, new, or increased assessments shall comply with this article. Excluding the existing assessments exempt from the procedures and approval process of Section 4 set forth in Article XIID Section 5(a-d).*

Article XIII D. Sec. 6 (d) *"Beginning July 1, 1997, all fees or charges shall comply with this section."*

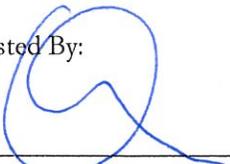


Temescal Valley (formerly Lee Lake) Water District



Date

Attested By:



Secretary, Board of Directors

RESOLUTION NO. R-18-16

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
TEMESCAL VALLEY WATER DISTRICT APPROVING A DEBT
ISSUANCE AND MANAGEMENT POLICY IN ACCORDANCE
WITH SENATE BILL 1029**

WHEREAS, the State legislature has recently enacted Senate Bill 1029, amending, in part, Government Code Section 8855, which requires all public agencies to certify 30 days prior to the time bonds are sold, that it has adopted local debt policies addressing the topics set forth in Government Code Section 8855(i); and

WHEREAS, the Board of Directors (the "Board") of the Temescal Valley Water District expects to issue forms of debt from time-to-time; and

WHEREAS, the Board desires to adopt a Debt Issuance and Management Policy in compliance with Government Code Section 8855(i);

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE TEMESCAL VALLEY WATER DISTRICT DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. The Board finds and determines that the foregoing recitals are true and correct.

Section 2. The Board approves and adopts the Debt Issuance and Management Policy attached hereto as Exhibit A.

Section 3. Officers of the Board are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to give effect to and comply with the terms and intent of this Resolution. Such actions heretofore taken by such officers, officials and staff are hereby ratified, confirmed and approved.

Section 4. This Resolution shall take effect immediately upon its passage.

Dated: October 23, 2018.



C.W. Colladay, President

I hereby certify that the foregoing is a full, true and correct copy of the Resolution adopted by the Board of Directors of the Temescal Valley Water District at its meeting held on October 23, 2018.

ATTEST:



Paul Rodriguez, Board Secretary

(SEAL)

EXHIBIT A

TEMESCAL VALLEY WATER DISTRICT DEBT MANAGEMENT POLICY

SECTION I: PURPOSE OF DEBT POLICY

The Temescal Valley Water District (hereinafter "the District") invests in long-term infrastructure, or otherwise incurs debt to meet its Debt Financing Objectives as defined herein. The use of long-term debt and other types of financing obligations addressed in this Statement of Debt Policy (the "Policy") are considered appropriate funding sources or mechanisms for the development and management of capital assets and other funding needs of the District to meet its Debt Financing Objectives. Debt is only one source of funding and the District actively seeks other funding sources as appropriate to its needs and opportunities.

The Board of Directors (or "Board") serves as the governing body of the District, special assessment or community facilities districts which the District may form from time to time, and any additional entities the District may form under law in the future related to the incurrence of financing obligations. Further reference to the "District," or the "Board of Directors" as the governing body, or the applicability of the Policy hereinafter, shall also be inclusive of such entities.

The intended purpose of this Policy is to provide guidelines for the issuance and administration of bonds and other forms of indebtedness as well as ensure compliance by the District with applicable laws and regulations including state law (such as SB 1029), tax code (IRS), and securities regulations related to the incurrence of such debt or other obligations addressed herein.

Primary responsibility for debt management resides with the General Manager or his/her designee (the "Responsible Officer") with assistance of District staff. Debt is issued with the approval of the Board of Directors in consideration of the appropriate use of such debt instrument in meeting the District's Debt Financing Objectives and compliance with this Policy. In accordance with State law, Board approval is required for any debt issuance.

SECTION II: DEBT FINANCING OBJECTIVES

The District's Debt Financing Objectives are defined as follows:

- Promote and enhance the safety, welfare or betterment of the District and its citizens;
- Ensure that all debt is structured in order to protect both current and future taxpayers, ratepayers and constituents of the District;
- Maintain or enhance the District's sound financial position;
- Ensure that the incurrence of such debt is consistent with the District's planning goals and objectives, capital improvement program or budget, as applicable.
- Conform to the District's adopted **AMENDED AND RESTATED LOCAL GOALS AND POLICIES FOR COMMUNITY FACILITIES DISTRICTS AND SPECIAL TAX DISTRICTS**

SECTION III: DEBT LIMITS

A. PURPOSE AND NEED FOR FINANCING

There are three primary purposes for which the District may incur or issue debt or other obligations:

1. Long-Term Capital Improvements

Generally, the District will employ a conservative strategy relative to the use of debt financing for approved and budgeted capital improvement projects including but not limited to when:

- such projects' useful life will equal or exceed the term of the financing (and are otherwise in accordance with federal tax law guidance), and
- when resources are identified as sufficient to fund the debt service requirements.

It is the goal of the District to ensure that the cost of infrastructure, consisting primarily of long-lived assets, be balanced between current and future taxpayers, customers or other applicable constituents. Prior to the incurrence of such obligations, the Board would be presented with a summary of project costs, alternative sources of funding, and an estimate of any incremental operating and/or additional maintenance costs associated with the project and identify sources of revenue, if any, to pay for such incremental costs.

2. Essential Vehicle and Equipment Needs

In addition to capital improvement projects, the District from time to time may finance certain essential equipment and vehicles. These assets may range from service vehicles to information technology systems. Short-term financings, including loans and capital lease purchase agreements, may be executed to meet such needs.

3. Refinancings/Refunding of Existing Debt

The Responsible Officer will periodically evaluate its existing debt and execute refinancing of existing debt in accordance with Section IV herein.

B. TYPES OF DEBT

Generally, the primary types of debt that may be incurred by the District are summarized below, but the list below does not preclude the District from issuing or incurring other types of obligations eligible under applicable federal and state law as may change from time to time, and which enable the District to meet its Debt Financing Objectives.

1. General Obligation Bonds

General Obligation (GO) bonds are secured either by a pledge of full faith and credit of an issuer or by a promise to levy taxes in an unlimited amount as necessary to pay debt service, or both. GO bonds usually achieve lower rates of interest than other financing instruments since they are considered to be a lower risk. California State Constitution, Article XVI, Section 18, requires that the issuance of a GO bond must be approved by a two-thirds majority of

those voting on the bond proposition. Uses of bond proceeds are limited to the acquisition and improvement of real property.

2. Certificates of Participation / Lease Revenue Bonds

Certificates of Participation (COPs) and Lease Revenue Bonds (LRBs) are obligations secured by an installment sale or by a lease-back arrangement between the District and another public entity (such as a joint powers authority), where the District agrees to annually budget and appropriate the lease payments from its General Fund so long as the District has the beneficial use and/or occupancy of the property to be leased and lease payments may not be accelerated. The lease payments are assigned to a trustee and used to pay debt service on the LRBs or COPs. These obligations do not constitute indebtedness under the state constitutional debt limitation and, therefore, are not subject to voter approval. Lease financing requires the fair market rental value of the leased property to be equal to or greater than the required debt service or lease payment schedule.

3. Revenue Bonds

Revenue Bonds are obligations payable solely from revenues generated by an enterprise, such as water or wastewater utilities. Because the debt service is directly paid by the utility or facility, such debt is considered self-liquidating and generally does not constitute a direct debt of the issuer. Funds must be sufficient to maintain required coverage levels, or the rates of such enterprise have to be raised to maintain coverage. The issuance of such obligations by the District does not require voter approval.

4. Land District Financing

The District may from time to time, on a case-by-case basis form land-secured financing districts such as Community Facilities Districts ("CFDs") or 1913/1915 Act Assessment Districts ("ADs"). Such districts are typically developer initiated, whereby a developer seeks a public financing mechanism to fund public infrastructure required by the District in connection with development permits or agreements, and/or tentative subdivision maps. Land district formation may also be initiated by an established community through a registered voter election. Subject to landowner or registered voter approval as applicable, once a district is formed, special taxes or assessments may be levied upon properties within the district to pay for facilities and services directly, or to repay bonds issued to finance public improvements.

The District will consider requests for land district formation and debt issuance when such requests address a public need or provide a public benefit.

In accordance with the Mello-Roos Community Facilities Act of 1982, the District is required and has adopted Local Goals and Policies related to CFD financing (the "CFD Local Goals and Policies"). The District's CFD Local Goals and Policies, currently in effect and as they may be amended from time to time, are incorporated to this Policy by reference herein.

5. Marks-Roos Bonds

The Marks-Roos Local Bond Pooling Act of 1985 permits two or more public agencies to form a joint powers authority (JPA) to facilitate the financing of public capital improvements, "pool"

bond issues of similar credit structure, working capital, or other projects when use of these provisions results in savings in effective interest rate, bond underwriting and issuance costs, or any other significant public benefit can be realized.

6. Tax and Revenue Anticipation Notes

Tax and Revenue Anticipation Notes (TRANs) are short-term notes, proceeds of which allow a municipality to cover the periods of cash shortfalls resulting from a mismatch between timing of revenues and timing of expenditures on an as-needed basis. As tax payments and other revenues are received, they are used to repay the TRANs. TRANs are not deemed to result in the creation of debt and voter approval is not required.

7. Bond Anticipation Notes

Bond Anticipation Notes (BANs) are short-term interest-bearing bonds issued in the anticipation of long-term future bond issuances. The District may choose to issue BANs as a source of interim financing when it is considered to be prudent and advantageous to the District and would be considered on a case-by-case basis.

8. Lines and Letters of Credit

A Line of Credit is a contract between the issuer and a bank that provides a source of borrowed monies to the issuer in the event that monies available to pay debt service or to purchase a demand bond are insufficient for that purpose. In the event that a bank facility is being entered into for a long-term capital need, before entering into any such agreements, takeout financing for such lines must be planned for and determined to be feasible.

A Letter of Credit is an arrangement with a bank that provides additional security that money will be available to pay debt service on an issue. A Letter of Credit can provide the District with access to credit under terms and conditions as specified in such agreements.

9. Lease-Purchase Financings

From time to time, the District may consider lease-purchase financing for certain capital and equipment needs. The lease purchase terms are typically shorter term and relate to the useful life of the asset. Such arrangements do not require voter approval.

10. State Revolving Fund Loans

Certain State agencies administer various revolving fund loan programs that the District may access from time to time. For example, The California State Water Resources Control Board (State Water Board) administers the State Revolving Fund (SRF) Loan program. The SRF loan is a low interest loan program for the construction of water, wastewater, and recycling water infrastructure projects. Typically, SRF loans typically have terms of up to 20 years and interest cost at the cost of the most recent State of California General Obligation Bonds sale. SRF loan debt service payments are factored into debt service coverage ratios established for outstanding enterprise fund obligations.

C. DEBT LIMITS

1. General Limits

Generally debt service coverage limitations shall be established in the indenture or other financing agreement and shall be evaluated based on market access, credit rating implications, cost and terms on a case-by-case basis.

2. General Fund Supported Debt

Generally, the District shall strive to maintain aggregate annual debt service paid from the District's general fund (exclusive of any enterprise funds of the District, unless a portion of debt service is paid from such enterprise fund) at an amount that, at the time of issuance, would maintain an investment grade rating for such District obligations as provided by at least one of the major credit rating agencies recognized as such in the then current municipal market, unless such obligation is issued as a direct placement to a single sophisticated purchaser of such obligation.

SECTION IV: DEBT STRUCTURING & ISSUANCE PRACTICES

The District manages its overall debt structure to appropriately balance risk and cost of capital and to provide for long-term financial resilience, market access and capital for future capital needs. To this end, the District generally issues debt that is fixed rate with substantially level debt service.

A. FIXED RATE DEBT

Generally, the District will issue debt or otherwise incur obligations on a fixed rate basis with term of the financing not exceeding the useful life of the project or asset to be financed (and otherwise within federal tax law guidelines). The District prefers to have an optional call on maturities longer than ten years in order to accommodate opportunities for economic refundings or to facilitate the restructuring of debt. Generally, the District prefers to limit the use of make-whole calls to maturities of less than ten years.

B. VARIABLE RATE DEBT

Generally, the District does not issue variable rate debt except that the District may issue obligations with shorter-term maturities that include such features, including commercial paper and grant, revenue and bond anticipation notes, (i) to provide interim financing for capital projects in anticipation of the issuance of longer-term bonds, or (ii) to purchase, refund or otherwise restructure or refinance outstanding bonds in the event that, for example, longer term markets are inaccessible.

C. USE OF DERIVATIVES & SWAPS

Generally, the District does not utilize municipal products that are classified as derivatives. As used in public finance, derivatives may take the form of interest rate swaps, futures and options contracts, options on swaps and other hedging mechanisms such as rate locks. In the event that the District may consider the use of such instruments, the Responsible Officer, together with the District's municipal advisor, will prepare a summary report for the Board that

addresses:

- Why the use of such derivative product for such financing approach is appropriate or advisable instead of applicable alternative approaches;
- A summary of the risks in implementing such financing approach (including quantifying such risks as determinable);
- A summary of the conditions under which the implementation of such financing approach could negatively impact the applicable credit rating of the District;
- A determination if the implementation of such financing approach necessitates the adoption of a comprehensive derivatives policy by the Board.

D. PUBLIC DEBT VS. PRIVATE PLACEMENTS

The District generally uses public offerings to issue long-term debt. However, the District may use Direct or Private Placement Debt - which are non-public offerings. These may be secured by the same credit as any other form of District obligations so long as all provisions of State law and outstanding bond covenants are met. Considerations for Direct or Private Placement Debt are market access, cost and terms, which will be evaluated relative to alternative applicable approaches by the Responsible Officer.

E. CAPITALIZED INTEREST

The District may issue bonds to pay for interest during construction pursuant to any statutory or federal tax limitations if applicable, rating agency requirements, and/or to the extent deemed prudent to match revenues to debt service payments.

F. DEBT SERVICE RESERVE FUNDS

The District may issue bonds that are secured by amounts on deposit in or credited to a debt service reserve fund or account in order to minimize the net cost of borrowing and/or to provide additional reserves for debt service or other purposes. Debt service reserve funds may secure one or more issues of bonds, and may be funded by proceeds of bonds, other available moneys of the District, and/or by surety policies, letters or lines of credit, or other similar instruments in accordance with the indenture or other relevant debt instrument. As relates to the use of surety policies, letters or lines of credit or other similar instruments for this purpose, the District shall take into consideration, in advance of the issuance of the applicable bonds, the likely remedial strategies in the event of a material decline in the applicable provider's credit quality. If the District is unlikely to be able to secure replacement credit support or an alternate credit facility due to market or other conditions, the District shall make provisions in applicable bond structures to address such risks whenever practicable.

G. THIRD PARTY CREDIT ENHANCEMENT

The District may secure credit enhancement for its bonds from third-party credit providers to the extent such credit enhancement is available upon reasonable, competitive, and cost-effective terms. Such credit enhancement may include municipal bond insurance, letters of

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credit and lines of credit, as well as other similar instruments. Generally, credit enhancement providers shall be selected on a competitive basis whenever possible.

All or any portion of an issuance of bonds may be secured by bond insurance provided by municipal bond insurers if it is economically advantageous to do so, or if it is otherwise deemed necessary or desirable in connection with a particular issue of bonds. The relative cost or benefit of bond insurance may be determined by comparing the amount of the bond insurance premium to the present value of the estimated interest savings to be derived as a result of the insurance.

The issuance of certain types of bonds may require a letter of credit or credit facility from a commercial bank or other qualified financial institution to provide liquidity and/or credit support. Generally a letter of credit may be either a "direct pay letter of credit" or a "standby letter of credit." A direct pay letter of credit entitles the trustee to draw on the letter of credit for all debt service payments, and moneys that would otherwise be available to pay debt service are used to reimburse the bank. A standby letter of credit entitles the trustee only to draw on the letter of credit in the event moneys available to pay debt service are insufficient.

The types of bonds where a credit facility may be necessary include commercial paper, variable rate bonds with a tender option, and bonds that could not receive an investment grade credit rating in the absence of such a facility. The District shall take into consideration, in advance of the issuance of such bonds, the likely remedial strategies in the event of a material decline in the applicable provider's credit quality. If the District is unlikely to be able to secure replacement credit support or an alternate credit facility due to market or other conditions, the District shall make provisions in applicable bond structures to address such risks whenever practicable.

H. METHOD OF BOND SALE

Bonds can be sold through either a negotiated or competitive process. Under a negotiated process, one or more investment banks are chosen in advance to manage the sale of bonds at a negotiated price. Under a competitive sale, banks bid on a bond offering and the sale is awarded to the bank offering the lowest interest rate.

The District generally utilizes a negotiated sales process, because such approach provides the following benefits:

- Utilization of investment banking resources for little or no extra cost on an on-going basis;
- Pre-marketing which may be useful for a unique or complex credit story;
- Flexible timing and ability to adjust structure to meet market demand.

Generally, the District will utilize a municipal advisor to assist with the method of sale, selection and negotiation of the investment banking firm or team, its fees and benchmark the overall pricing.

I. REFUNDING BONDS

The District shall monitor interest rates and looks for opportunities to refund debt for savings. Generally, savings targets are based on the net present value savings for the refunding of the bonds being refunded, inclusive of transaction costs. Generally, the District seeks to achieve not less than 3% net present value savings from refundings, however may consider a stricter standard of not less than 5% in circumstances where a proposed refunding may be considered on an advance basis (longer than 90 days from its initial call date). The savings target does not necessarily apply in cases where the District wishes to refund bonds to revise key bond covenants or refunding otherwise benefits the District absent such savings.

SECTION V: DEBT MANAGEMENT PRACTICES

A. INVESTMENT OF BOND PROCEEDS

Bond proceeds and funds held in debt service and debt service reserve fund accounts with respect to outstanding bonds shall be invested in accordance with the terms and/or within parameters defined in applicable resolutions or financing agreements of a particular obligation.

B. CONTINUING DISCLOSURE COMPLIANCE

The District's Responsible Officer shall oversee and, advised by the District's disclosure counsel and consultants the District may hire to assist, shall be responsible for the filing and accuracy of all primary and secondary disclosure regarding the District and its debt obligations. Reasonable actions shall be taken to obtain timely knowledge of any event that must be disclosed pursuant to the District's "disclosure undertakings" and shall cause notices of such events to be filed in a timely manner as required by such disclosure undertakings.

The District will comply with the requirements of all of its "disclosure undertakings," including compliance with SEC rule 15c2-12, by filing or causing to be filed annually its disclosure statements and audited financials (as applicable) with the Electronic Municipal Market Access ("EMMA") or as otherwise established in the District's financing agreements.

The District will comply with the event notice reporting requirements of its disclosure undertakings and timely file with EMMA all required event notices. The District will engage disclosure counsel and/or consultants as needed to guide its primary and secondary market disclosure, and to prepare material event notices as necessary.

For each of the District's disclosure undertakings, the District shall establish and employ a dissemination agent. Disclosure shall be posted electronically on EMMA by the dissemination agent.

The District shall post its annual audited financial statements electronically on its website as soon as practicable.

Additionally, the District's Responsible Officer shall maintain (or engage a consultant to assist in maintaining) a current list of all obligations for which the District has a continuing disclosure reporting obligation, and maintain a summary for each such obligation of the following:

- Material event notification requirements and timing;

- Annual Report content requirements and timing.

District staff that are designated as responsible for the preparation and dissemination of the District's required continuing disclosure obligations shall receive appropriate training on a periodic basis regarding the requirements and practices of applicable regulatory bodies concerning disclosure relating to the District.

C. POST-ISSUANCE TAX COMPLIANCE PROCEDURES

The purpose of this section is to establish policies and procedures in connection with tax-exempt bonds and other tax-advantaged bonds issued by or on behalf of the District so as to ensure that the District complies with all applicable post-issuance requirements of federal income tax law needed to preserve the tax-exempt or other advantaged status of the bonds.

1. Post-Issuance Compliance Requirements

a. External Advisors / Documentation

The Responsible Officer shall consult with bond counsel and other legal counsel and advisors, as needed, throughout the bond issuance process to identify requirements and to establish procedures necessary or appropriate so that the bonds will continue to qualify for the appropriate tax status. Those requirements and procedures shall be documented in the District's resolution(s), bond documents such as indentures and trust agreements, tax certificate(s) and/or other documents finalized at or before issuance of the bonds. Those requirements and procedures shall include future compliance with applicable arbitrage rebate requirements and all other applicable post-issuance requirements of federal tax law throughout (and in some cases beyond) the term of the bonds.

The Responsible Officer also shall consult with bond counsel and other legal counsel and advisors, as needed, following issuance of the bonds to ensure that all applicable post-issuance requirements in fact are met. This shall include, without limitation, consultation in connection with future contracts with respect to the use of bond-financed assets and future contracts with respect to the use of output or throughput of bond-financed assets.

The District shall engage an experienced Arbitrage Rebate Compliance Service Provider (each a "Rebate Service Provider") to assist in compliance of all IRS arbitrage rebate requirements.

b. Role of the District as Bond Issuer

Unless otherwise provided, unexpended bond proceeds shall be held by the trustee or fiscal agent, and the investment of bond proceeds shall be managed by such trustee or fiscal agent at the direction of the Responsible Officer or his/her designee. The trustee or fiscal agent shall maintain records and shall prepare regular, periodic statements to the District regarding the investments and transactions involving bond proceeds.

c. Arbitrage Rebate and Yield

Proceeds from bonds issued by or on behalf of the District are generally held and invested by the trustee or fiscal agent. Notwithstanding the foregoing, the District, as the entity responsible for yield restriction and rebate compliance as to the bonds, shall take all actions necessary to coordinate with the trustee and, when applicable, engage the services of a Rebate Service Provider to perform the calculation of arbitrage rebate liability, prepare all related reports, and ensure arbitrage compliance with respect to the investment of bond proceeds for each applicable bond issue. The District shall retain copies of all arbitrage reports, investment and expenditure records, and trustee statements as described below under "Record Keeping Requirements."

The Responsible Officer shall periodically review the investment rates on bond proceeds, as compared to the arbitrage yield on each applicable issue of the bonds, and, if necessary, set aside amounts expected to be needed to ensure timely payment of required rebate for each issue of the bonds, which timelines are (a) no later than 60 days after each 5-year anniversary of the issue date of each issue of the Bonds, and (b) no later than 60 days after the last bond of each issue is redeemed.

During the construction period of each capital project financed in whole or in part by bonds, the Responsible Officer shall monitor the investment and expenditure of bond proceeds and shall coordinate or consult with, if necessary, the trustee and/or a Rebate Service Provider, to determine whether such Bond issue is eligible for any exception from the arbitrage rebate requirements during each 6-month spending period up to 6 months, 18 months or 24 months, as may be set forth in the tax certificate that is executed in connection the applicable bonds.

d. Allocation of Bond Proceeds

Within the proper timelines, which are currently no later than 18 months after expenditure or the project's placed in service date, but in no event after 5 years from the date of issuance of the applicable issue of new money bonds, the District will allocate bond proceeds to expenditures for rebate and private use purposes.

e. Use of Bond Proceeds

The Responsible Officer shall:

- Monitor the use of bond proceeds, the use of bond-financed assets (e.g., facilities, furnishings or equipment) and the use of output or throughput of bond-financed assets throughout the term of the bonds (and in some cases beyond the term of the bonds) to ensure compliance with covenants and restrictions set forth in applicable District resolutions, bond documents and tax certificates;
- Maintain records identifying the assets or portion of assets that are financed or refinanced with proceeds of each issue of bonds;
- Consult with bond counsel and other professional expert advisers in the review of any contracts or arrangements involving use or sale of bond-financed facilities to

ensure compliance with all covenants and restrictions set forth in applicable District resolutions and tax certificates;

- Maintain records for any contracts or arrangements involving the use or sale of bond-financed facilities as might be necessary or appropriate to document compliance with all covenants and restrictions set forth in applicable District resolutions and tax certificates; and
- Meet periodically with personnel responsible for bond-financed assets to identify and discuss any existing or planned use or sale of bond-financed, assets or output or throughput of bond-financed assets, to ensure that those uses are consistent with all covenants and restrictions set forth in applicable District resolutions, bond documents and tax certificates.

All relevant records and contracts shall be maintained as described below.

2. Record Keeping Requirements

Unless otherwise specified in applicable District resolutions, bond documents or tax certificates, the District shall maintain the following documents for the term of each issue of bonds (including refunding bonds, if any) plus at least three years:

- a copy of the bond closing transcript(s) and other relevant documentation delivered to the District at or in connection with closing of the issue of bonds;
- a copy of all material documents relating to capital expenditures financed or refinanced by bond proceeds, including (without limitation) construction contracts, purchase orders, invoices, trustee requisitions and payment records, as well as documents relating to costs reimbursed with bond proceeds and records identifying the assets or portion of assets that are financed or refinanced with bond proceeds;
- a copy of all contracts and arrangements involving private use of bond-financed assets or for the private use of output or throughput of bond-financed assets; and
- copies of all records of investments, investment agreements, arbitrage reports and underlying documents, including trustee statements.

SECTION VI: WAIVER AND PERIODIC REVIEW

While adherence to the Debt Policy is desired, the District recognizes that changes in the capital markets and other circumstances of the District may produce unforeseen situations that are not covered by the Debt Policy. In those circumstances, exceptions or waivers to the Debt Policy may be required with approval from the Board in connection with individual financings in order to achieve the District's Debt Financing Objectives.

The Responsible Officer shall review this Debt Policy on a periodic basis, and recommend any changes to the Board for its consideration and approval.

LEE LAKE WATER DISTRICT
AMENDED AND RESTATED
LOCAL GOALS AND POLICIES FOR
COMMUNITY FACILITIES DISTRICTS
AND SPECIAL TAX DISTRICTS

I. GENERAL.

Section 53312.7(a) of the California Government Code requires that the Lee Lake Water District (the "District") consider and adopt local goals and policies concerning the use of the Mello-Roos Community Facilities Act of 1982 (the "Act") prior to the initiation of proceedings on or after January 1, 1994 to establish a new community facilities district ("CFD") under the Act.

These Amended and Restated Local Goals and Policies for Community Facilities Districts (the "Policies") amend and supercede prior Local Goals and Policies adopted by the District on April 11, 2000.

These Policies provide guidance and conditions for the conduct by the District of proceedings for, and the issuance of bonds secured by special taxes levied in, a special tax district or a community facilities district ("CFD") established under the Act. The Policies are intended to be general in nature; specific details will depend on the nature of each particular financing. The Policies are applicable to financings under the Act and are intended to comply with Section 53312.7 (a) of the Government Code. These Policies shall not apply to any assessment financing or any certificate of participation or similar financings involving leases of or security in public property. The Policies are subject to amendment by the Board of Directors (the "Board") at any time.

In each and every circumstance, the decision as to whether or not the District will make use of the Act is a decision that will be made solely by the District. Nothing contained herein shall be construed as obligating the District to make use of the Act in any circumstance or as granting to any person any right to have the District make use of the Act in any circumstance.

II. FINANCING PRIORITIES.

Eligible Public Facilities. The public facilities eligible to be financed by a CFD must be:

- (a) owned by a public agency or public utility;
- (b) have a useful life of at least five years;
- (c) eligible to be financed under the Act as it may be amended from time to time; and
- (d) approved by the District to be financed in its sole discretion.

Furthermore, the development or redevelopment proposed within a CFD must be consistent with the general plan of the applicable legislative body and must have received any required legislative approvals such as zoning or specific plan approvals prior to the issuance of public debt. A CFD shall not vest any rights to future land use on any properties, including those that are responsible for paying special taxes.

Eligible Public Services. In general, the District does not intend to finance services that are eligible to be financed from a CFD under the Act.

Eligible Private Facilities. Financed improvements may be privately-owned in the specific circumstances, subject to approval by the District in its sole discretion and conditions set forth in the Act, except that in the event that tax-exempt bonds are issued to finance the facilities for a given project, no more than five percent of the proceeds of an issue may be used for facilities owned and operated by a privately-owned utility.

Eligible Prior Debt. A CFD may also be formed for the purpose of refinancing any fixed special assessment or other governmental lien on property, to the extent permitted under the Act, as applicable.

Priorities for Financing. The priority that various kinds of facilities will have for financing through the District's use of the Act is as follows:

- (a) Backbone infrastructure to be owned and/or operated by the District that is required to serve proposed development and that is identified in an infrastructure master plan, specific plan or other appropriate document as a major backbone infrastructure element.
- (b) Other public facilities to be owned and/or operated by the District for which there is a clearly demonstrated public benefit.
- (c) Fee obligations imposed by the District, approved to be financed by the District in its sole discretion, and subject to limitations that may be imposed by the District's tax counsel related to the issuance of bonds.
- (d) Public facilities to be owned and/or operated by a public agency other than the District, including such public facilities financed *in lieu* of the payment of development fees imposed by such public agency. The District shall consider entering into a joint financing agreement or joint powers authority in order to finance these facilities. A joint agreement with the public agency that will own and operate any such facility must be entered into at the time specified in the Act.
- (e) Fee obligations imposed by other government agencies, approved to be financed by the District in its sole discretion, and subject to limitations that may be imposed by the District's tax counsel related to the issuance of bonds.
- (f) Privately owned facilities (that is, facilities not owned by a local agency) will, generally, not be financed through the District's use of the Act; provided, however, that the District may consider the financing of such facilities on a case-by-case basis.

In-tract infrastructure will, generally, not be financed through the District's use of the Act, provided however, that the District may consider the financing of such facilities on a case-by-case basis.

Joint Facilities Agreements. Notwithstanding the above, should the District act as lead agency of a CFD, the District in accordance with Section 53316.2(e), shall have a reasonable expectation to have responsibility for providing facilities to be financed by a larger share of the proceeds of special taxes and bonds of the CFD created or changed pursuant to the joint community facilities agreement than any other agency.

III. BOND ISSUE CREDIT QUALITY REQUIREMENTS

The following are minimum requirements related to issuance of CFD bond issues by the District. Under extraordinary real estate or bond market conditions, the District may, at its own discretion, require more restrictive criteria or additional credit enhancement to improve credit quality.

Value-to-Public Lien Ratio. Generally, CFD bond issues should have at least:

- (a) a three-to-one property value to public lien amount ratio after calculating the value of the financed public improvements to be installed, and
- (b) the value of each parcel of undeveloped property that will be subject to the special tax to pay debt service on the bonds to be issued will be at least two times the public lien amount apportioned to such parcel after calculating the value of the financed public improvements to be installed (except that the District may determine at its sole discretion to exclude a particular parcel from the test, if in its sole determination there are extenuating circumstances whereby the parcel cannot meet such standard – e.g., a portion of the parcel will not be taxable upon development – and does not cause an undue credit risk).

An exception to one or more of the above determinations may be approved by the District as provided in Section 53345.8(b) or (c) of the Act. Property value may be based on either an appraisal (as described in VI below) or on assessed values as indicated on the county assessor's tax roll. The public lien amount shall include the bond issue currently being sold plus the portion of any existing public indebtedness secured by a lien on the properties to be taxed or assessed.

Entitlement & Infrastructure Status. The District will require major land use approvals necessary for development of land in the CFD to be substantially in place before a CFD is formed. Generally, the District shall consider the phasing of major infrastructure needed to serve the property within the CFD and anticipated market absorption in determining how and when to proceed with CFD formation.

Reserve Fund. In order to enhance the credit quality of CFD bond issues, the District generally will require that each such bond issue be secured by a reserve fund. Generally, each such reserve fund will be required to be funded with cash in an amount no less than the least of (a) 10% of the initial principal amount of the bonds of such issue, (b) maximum annual debt service on the bonds of such issue, or (c) 125% of the average annual debt service on the bonds of such issue. A smaller reserve fund may be considered, at the sole discretion of the District, in cases where debt service on the CFD bonds are paid from developed properties which are not currently delinquent in the payment of CFD special taxes.

Structuring Requirements. Generally the District shall require:

- (a) The CFD (or an improvement area within the CFD) shall include (i) not less than 200 expected residential units, or (ii) \$3.5 million of eligible facilities acceptable by the District to be financed and a project with sufficient bond capacity to finance such facilities in accordance with these Policies.
- (b) For a developer-petitioned owner-occupied residential project, bonds for such CFD will be structured such that, once principal amortization thereof has commenced, debt service thereon will be substantially level.

- (c) Generally for a developer-petitioned owner-occupied residential project, the District will require that the developer of property within the CFD provide credit enhancement to increase the credit quality of bonds issued by such CFD. For purposes of this section, a developer is one or more builders or developers who are owners of property within the CFD for which construction has not yet been completed. Such credit enhancement will usually be in the form of an irrevocable letter of credit, will be required to be in an amount not less than two times the amount of maximum annual special taxes levied on property owned attributable to such developer for which a certificate of occupancy has not been issued and will be required to remain in effect until no more than 10% of the maximum annual aggregate special tax levy attributable to property owned by such developer. Such letter of credit will generally be required to be issued or guaranteed by an entity, the long term unsecured obligations of which are rated at least “A” by Moody’s Investors Service or Standard & Poor’s Ratings Service. Notwithstanding the above, the District may waive this letter of credit requirement in the event the District concludes, in a manner of its sole discretion, that the letter of credit requirement would no longer apply within one year of CFD bonds proposed to be issued.
- (d) Generally, the District intends to minimize the use of capitalized interest. To that end, the amount of capitalized interest funded for a bond issue will be limited to (i) the amount necessary to pay debt service on the bonds until the first interest payment date occurring after the levy of the special taxes may be included in the real property tax roll as relates to developed property (as defined by the special tax rate and method of apportionment), or (ii) through the end of the then-current “bond year” (as defined in the indenture or fiscal agent agreement) in which bonds are issued.
- (e) As an alternative to providing other security, and subject to federal tax law, the applicant may request that a portion of the bond proceeds be placed in escrow with a trustee or fiscal agent in an amount sufficient to assure the financing will meet the applicable credit criteria established by the District in its sole discretion. The escrowed proceeds shall be released at such times and in such amounts as may be necessary to assure the applicable credit criteria has been met. Generally, in the event escrow bonds are issued, all interest during the escrow period shall be gross funded. Generally, an escrow bond structure for CFD bonds will not be employed unless such a structure advances an extraordinary District public policy objective.

Foreclosure Covenant. Generally, the indenture or fiscal agent agreement which specifies the covenant of the District to initiate foreclosure proceedings for a specified property that is delinquent in the payment of the CFD special taxes shall balance protection of bondholder security with the cost effectiveness of initiating such foreclosure proceedings.

Failure to Meet Credit Criteria. Less than a three-to-one property value to public lien ratio, excessive tax delinquencies, or projects of uncertain economic viability may cause the District to disallow the sale of bonds, or require additional credit enhancement prior to bond sale. The District may consider exceptions to the above policies for bond issues that do not represent an unusual credit risk, either due to additional credit enhancement or other reasons specified by the District, and/or which otherwise provide extraordinary public benefits, to the extent permitted by and subject to any applicable requirements of the Act.

If the District requires letters of credit or other security, the credit enhancement shall be issued by an institution, in a form and upon terms and conditions satisfactory to the District. Any security required to be provided by the applicant may be discharged by the District upon satisfaction of the applicable credit criteria specified by the District.

Suitable Investors. The District will require that bond financings be structured so that bonds are purchased and owned by suitable investors. For example, the District may require placement of bonds with a limited number of sophisticated investors, large bond denominations and/or transfer restrictions in situations where there is an insufficient value-to-lien ratio, where a substantial amount of the property within a CFD is undeveloped, where tax delinquencies are present in parcels within the CFD, and in any other situation identified by the District.

IV. DISCLOSURES

Purchasers of Property. As a minimum, any disclosures mandated by applicable state law to inform prospective purchasers of their obligations under the CFD shall apply to each CFD. In addition, there may be additional requirements mandated by the District for particular kinds of financings on a case-by-case basis. The District may prescribe specific forms to be used to disclose the existence and extent of obligations imposed by CFD.

Disclosure Requirements for the Resale of Lots. The District shall provide a notice of special taxes to sellers of property (other than developers) which will enable them to comply with their notice requirements under Section 1102.6 of the Act. This notice shall be provided by the District within five working days of receiving a written request for the notice. A reasonable fee may be charged for providing the notice, not to exceed any maximum fee specified in the Act.

Continuing Bond Disclosure. Landowners in a CFD that are responsible for ten percent (10%) or more of the annual special taxes must agree to provide: (i) initial disclosure at the time of issuance of any bonds; and (ii) annual disclosure as required under Rule 15c2-12 of the Securities Exchange Commission until the special tax obligation of the property owned by such owner drops below 10%.

V. EQUITY OF SPECIAL TAX FORMULAS AND MAXIMUM SPECIAL TAXES

Minimum Special Tax Levels. Special tax formulas shall provide for minimum special tax levels which satisfy the following payment obligations of a CFD: (a) 110 percent gross debt service coverage for all CFD bonded indebtedness, (b) the administrative expenses of the CFD. Generally, the rate and method of apportionment for CFD special taxes will be required to include a back-up tax so that changes in development within the CFD would not result in the inability to levy special taxes that would produce special tax revenues in such amounts. Administrative costs of the CFD shall be prioritized ahead of all CFD bonded indebtedness and excluded from the minimum debt service coverage ratio.

In addition, the special tax formula may provide for the following to be included in the special tax levels: (a) any amounts required to establish or replenish any reserve fund established in association with the indebtedness of the CFD, (b) the accumulation of funds reasonably required for future debt service, (c) amounts equal to projected delinquencies of special tax payments, (d) the costs of remarketing, credit enhancement and liquidity facility fees, (e) the cost of acquisition, construction, furnishing or equipping of authorized facilities, (f) lease payments for existing or future facilities, (g) costs associated with the release of funds from an escrow account, (h) the costs incurred to resolve or foreclose on delinquent parcels, and (i) any other costs or payments permitted by law. In structuring the special tax, projected annual interest earnings on bond reserve funds may not be included as revenue for purposes of the calculation.

Generally, the special tax rate and method of apportionment for a CFD will be structured so as to allow the prepayment by property owners of special taxes levied to finance facilities.

Reasonable Basis of Apportionment. The special tax formula shall be reasonable in allocating the CFD's payment obligations to parcels within the CFD. Exemptions from the special tax may be given to parcels which are publicly owned, are held by a property owners' association, are used for a public purpose such as open space or wetlands, are affected by public utility easements making impractical their utilization for other than the purposes set forth in the easements, or have insufficient value to support bonded indebtedness.

Final Mapped Property. Generally, the special tax formula shall provide the following provisions with respect to property for which a final subdivision map delineating residential lots has been recorded:

- (a) Final Mapped Property shall have a separate tax classification from undeveloped property for which no final map has been recorded which delineate the residential lots.
- (b) Final Mapped Property shall be taxed as a higher priority than such undeveloped property in meeting the special tax requirement for a given fiscal year.

Aggregate Tax Burden. For Non-residential Property. The total projected non-residential property tax levels for any CFD (including ad valorem taxes, any maintenance, landscaping or other impositions on the land in the CFD and other similar annual government charges levied on parcels in the CFD, but excluding property owners' association annual levies and as to any special tax levies, based on the expected special tax rates and not any "back-up" special taxes) must be reasonable, and will be considered by the District on a case-by-case basis.

For Residential Property. The total projected residential property tax levels (including ad valorem taxes, any maintenance, landscaping or other impositions on the land in the CFD and other similar annual government charges levied on parcels in the CFD, but excluding homeowners' association annual levies and as to any special tax levies, based on the expected special tax rates and not any "back-up" special taxes) for any CFD (or, if a CFD has multiple improvement areas, for each improvement area and not the entire CFD) shall not exceed, at the time of CFD formation, the lesser of (i) 2.0% of the estimated sales prices of the respective homes to be constructed in the CFD (with such prices to be determined by reference to an absorption study or appraisal prepared for the CFD or such other information as the District shall determine) ("the Maximum Effective Tax Rate"), (ii) any maximum specified in the Act, or (iii) lesser amount as may be determined by the District on a case-by-case basis. Generally, the Maximum Effective Tax Rate must be confirmed by the District (in a manner determined solely by the District and in compliance with any limitations of the Act or the special tax formula) within 90 days of the initial issuance of bonds within a given CFD. The annual increase, if any, in the maximum special tax for any parcel shall not exceed any maximum specified in the Act. The increase in the special tax levied on any residential parcel as a consequence of delinquency or default by the owner of any other parcel shall not exceed any maximum specified in the Act.

Levy on Entire Parcels. Special taxes will only be levied on an entire county assessor's parcel, and any allocation of special tax liability of a county assessor's parcel to leasehold or possessory interest in the fee ownership of such county assessor's parcel shall be the responsibility of the fee owner of such parcel and the District shall have no responsibility therefor and has no interest therein. Failure of the owner of any county assessor's parcel to pay or cause to be paid any special taxes in full when due, shall subject the entire parcel to foreclosure in accordance with the Act.

Feasibility Analysis. The District may retain a special tax consultant and/or real estate market consultant to prepare a report or other analysis which: (a) recommends a special tax for the proposed CFD, and (b) evaluates the special tax proposed to determine its ability to adequately fund identified public facilities, District administrative costs, services (if applicable) and other related expenditures. Such analysis shall also address the resulting aggregate tax burden of all proposed special taxes plus existing special taxes, ad valorem taxes and assessments on the properties within the CFD.

VI. APPRAISALS

The definitions, standards and assumptions to be used for appraisals shall be determined by District staff on a case-by-case basis, with input from District consultants and CFD applicants, and by reference to relevant materials and information promulgated by the State of California, (including, but not limited to, the California Debt and Investment and Advisory Commission). The appraiser shall be selected by or otherwise acceptable to the District, and the appraisal shall be coordinated by and under the direction of, or otherwise as acceptable to, the District.

The appraisal must be dated within three months of the date the bonds are priced, unless the Board of Directors determines a longer time is appropriate.

All costs associated with the preparation of the appraisal report shall be paid by the entity requesting the establishment of the CFD, if applicable, through the advance deposit mechanism described below.

VII. DISTRICT PROCEEDINGS

Petition. For new development projects, a petition meeting the requirements of the applicable authorizing law will be required. The applicant is urged to obtain unanimous waivers of the election waiting period. In applying to the District for formation of a CFD, the applicant must specify any reasonably expected impediments to obtaining petitions, including from co-owners and/or lenders of record (where required). Waiver of the petition shall be made only upon showing of extraordinary hardship. For existing development, petitions are preferred, but may be waived, depending on the nature of the project and degree of public importance.

Deposits and Reimbursements. All District staff and consultant costs incurred in the evaluation of CFD applications and the establishment of the CFD will be paid by the entity, if any, requesting the establishment of the CFD by advance deposit increments. The District shall not incur any expenses for processing and administering a CFD that are not paid by the applicant or from CFD bond or special tax proceeds. In general, expenses not chargeable to the CFD shall be directly borne by the proponents of the CFD.

Generally any petition for formation of a CFD to fund public facilities shall be accompanied by an initial deposit in the amount not less than \$100,000 to fund initial staff and consultant costs associated with CFD review and implementation. If additional funds are needed to offset costs and expenses incurred by the District, the District shall make written demand upon the applicant for such funds. If the applicant fails to make any deposit of additional funds for the proceedings, the District may suspend all proceedings until receipt of such additional deposit.

The District shall not accrue or pay any interest on any portion of the deposit refunded to any applicant or the costs and expenses reimbursed to an applicant. Neither the District nor the CFD shall be

required to reimburse any applicant or property owner from any funds other than the proceeds of bonds issued by the CFD or special taxes levied in the CFD.

Representatives. The District and the applicant shall each designate a representative for each financing district proceeding. The representatives shall be responsible for coordinating the activities of their respective interests and shall be the spokespersons for each such interest. The purpose of this requirement is to avoid duplication of effort and misunderstandings from failure to communicate effectively. In the case of the District, it allows the District's consultants to report to a single official who will, in turn, communicate with other staff members.

Time Schedule. The final schedule of events for any proceeding shall be determined by the District, in consultation with its financing team and the applicant. Any changes will require approval by the appropriate District staff. Time schedules will (unless specific exceptions are allowed) observe established Board of Director meeting schedules and agenda deadlines.

VIII. FINANCING TERMS AND CONDITIONS OF BONDS.

No Impact On District's Credit. All terms and conditions of any CFD bonds shall be established by the District. The District will control, manage and invest all CFD issued bond proceeds. Each bond issue shall be structured to adequately protect bond owners and to not negatively impact the bonding capacity or credit rating of the District through the special taxes, credit enhancements, foreclosure covenant, and reserve funds.

All statements and material related to the sale of bonds shall emphasize and state that neither the faith, credit nor the taxing power of the District is pledged to security or repayment of the bonds. The sole source of pledged revenues to repay CFD bonds are special taxes, bond proceeds and reserve funds held under the bond document, and the proceeds of foreclosure proceedings and additional security instruments provided at the time of bond issuance.

Finance Team Selection. The District shall select all consultants necessary for the formation of the CFD and the issuance of bonds, including the underwriter(s), bond counsel, disclosure counsel, financial advisor, appraiser, market absorption/pricing consultant, and the special tax consultant. Prior consent of the applicant shall not be required in the determination by the District of the consulting and financing team.

IX. EXCEPTIONS TO THESE POLICIES.

The District may find in limited and exceptional instances that a waiver to any of the above stated policies is reasonable given identified special benefits to be derived from such waiver. Such waivers only will be granted by action of the Board of Directors.



Government Finance Officers Association

BEST PRACTICE

Debt Management Policy

BACKGROUND:

Debt management policies are written guidelines, allowances, and restrictions that guide the debt issuance practices of state or local governments, including the issuance process, management of a debt portfolio, and adherence to various laws and regulations. A debt management policy should improve the quality of decisions, articulate policy goals, provide guidelines for the structure of debt issuance, and demonstrate a commitment to long-term capital and financial planning. Adherence to a debt management policy signals to rating agencies and the capital markets that a government is well managed and therefore is likely to meet its debt obligations in a timely manner. Debt management policies should be written with attention to the issuers specific needs and available financing options and are typically implemented through more specific operating procedures. Finally, debt management policies should be approved by the issuers governing body to provide credibility, transparency and to ensure that there is a common understanding among elected officials and staff regarding the issuers approach to debt financing.

RECOMMENDATION:

GFOA recommends that state and local governments adopt comprehensive written debt management policies. These policies should reflect local, state, and federal laws and regulations. To assist with the development of these policies GFOA recommends that a governments Debt Management Policy (Policy) should be reviewed periodically (and updated if necessary) and should address at least the following:

1. **Debt Limits.** The Policy should consider setting specific limits or acceptable ranges for each type of debt. Limits generally are set for legal, public policy, and financial reasons.

a. *Legal restrictions* may be determined by:

- State constitution or law,
- Local charter, by-laws, resolution or ordinance, or covenant, and
- Bond referenda approved by voters.

b. *Public Policies* will address the internal standards and considerations within a government and can include:

- Purposes for which debt proceeds may be used or prohibited,
- Types of debt that may be issued or prohibited,

- Relationship to and integration with the Capital Improvement Program, and
- Policy goals related to economic development, including use of tax increment financing and public-private partnerships.

c. *Financial restrictions or planning considerations* generally reflect public policy or other financial resources constraints, such as reduced use of a particular type of debt due to changing financial conditions. Appropriate debt limits can have a positive impact on bond ratings, particularly if the government demonstrates adherence to such policies over time. Financial limits often are expressed as ratios customarily used by credit analysts. Different financial limits are used for different types of debt. Examples include:

- *Direct Debt, including general obligation bonds*, are subject to legal requirements and may be able to be measured or limited by the following ratios:
 - Debt per capita,
 - Debt to personal income,
 - Debt to taxable property value, and
 - Debt service payments as a percentage of general fund revenues or expenditures.
- *Revenue Debt* levels often are limited by debt service coverage ratios (e.g., annual net pledged revenues to annual debt service), additional bond provisions contained in bond covenants, and potential credit rating impacts.
- *Conduit Debt* limitations may reflect the right of the issuing government to approve the borrowers creditworthiness, including a minimum credit rating, and the purpose of the borrowing issue. Such limitations reflect sound public policy, particularly if there is a contingent impact on the general revenues of the government or marketability of the governments own direct debt.
- *Short-Term Debt Issuance* should describe the specific purposes and circumstances under which it can be used, as well as limitations in term or size of borrowing.
- *Variable Rate Debt* should include information about when using non-fixed rate debt is acceptable to the entity either due to the term of the project, market conditions, or debt portfolio structuring purposes.

2. Debt Structuring Practices. The Policy should include specific guidelines regarding the debt structuring practices for each type of bond, including:

- Maximum term (often stated in absolute terms or based on the useful life of the asset(s)),
- Average maturity,
- Debt service pattern such as equal payments or equal principal amortization,
- Use of optional redemption features that reflect market conditions and/or needs of the government,
- Use of variable or fixed-rate debt, credit enhancements, derivatives, short-term debt, and limitations as to when, and to what extent, each can be used, and
- Other structuring practices should be considered, such as capitalizing interest during the construction of the project and deferral of principal, and/or other internal credit support, including general obligation pledges.

3. Debt Issuance Practices. The Policy should provide guidance regarding the issuance process, which may differ for each type of debt. These practices include:

- Selection and use of professional service providers, including an independent financial

advisor, to assist with determining the method of sale and the selection of other financing team members,

- Criteria for determining the sale method (competitive, negotiated, private placement) and investment of proceeds,
- Use of comparative bond pricing services or market indices as a benchmark in negotiated transactions, as well as to evaluate final bond pricing results,
- Criteria for issuance of advance refunding and current refunding bonds, and
- Use of credit ratings, minimum bond ratings, determination of the number of ratings, and selection of rating services.

4. Debt Management Practices. The Policy should provide guidance for ongoing administrative activities including:

- Investment of bond proceeds,
- Primary and secondary market disclosure practices, including annual certifications as required,
- Arbitrage rebate monitoring and filing,
- Federal and state law compliance practices, and
- Ongoing market and investor relations efforts.

5. Use of Derivatives. The Debt Management Policy should clearly state whether or not the entity can or should use derivatives. If the policy allows for the use of derivatives, a separate and comprehensive derivatives policy should be developed (see GFOAs Advisory, Developing a Derivatives Policy and Derivatives Checklist).

Notes:

- Post Issuance Compliance Checklist
- Debt Issuance Checklist: Considerations When Issuing Bonds

References:

- GFOA Advisory, Using Variable Rate Debt Instruments, 2010.
- GFOA Advisory, Use of Debt-Related Derivatives Products and the Development of a Derivatives policy, 2010.
- GFOA Derivatives Checklist, 2010.
- GFOA Best Practice, Selecting Bond Counsel, 2008.
- GFOA Best Practice, Selecting Financial Advisors, 2008.
- GFOA Best Practice, Selecting Underwriters for a Negotiated Bond Sale, 2008.
- GFOA/NABL Post Issuance Compliance Checklist, 2003.
- *Benchmarking and Measuring Debt Capacity*, Rowan Miranda and Ron Picur, GFOA, 2000.
- *A Guide for Preparing a Debt Policy*, Patricia Tigue, GFOA, 1998.



Guidance on Complying with SB 1029
Release Date: December 28, 2016

On October 26, 2016, the California Debt and Investment Advisory Commission (CDIAC) issued a Request for Comment on the implementation of Chapter 307, Statutes of 2016 (Senate Bill 1029, Hertzberg). The comments received have helped CDIAC develop guidance for issuers of public debt seeking to comply with the requirements of SB 1029.

The guidance offered in this letter dated December 28, 2016 is based upon CDIAC's current understanding of the information required and its ability to receive that information from issuers. It is likely that CDIAC will offer additional guidance and ultimately adopt regulations in the future as both it and issuers adapt to the requirements of SB 1029.

CDIAC is making every effort to provide intuitive, on-line processes that will minimize the efforts of issuers while maximizing compliance and the quality of the information provided. It is committed to working with issuers and members of the public finance community to achieve these outcomes.

Guidance on Government Code section 8855(i)

Government Code section 8855(i) requires any issuer of public debt to provide to CDIAC no later than 30 days prior to the sale of any debt issue a report of the proposed issuance. CDIAC provides issuers the ability to submit this Report of Proposed Debt Issuance electronically. Effective January 1, 2017, issuers must certify on the Report of Proposed Debt Issuance that they have adopted local debt policies concerning the use of debt and that the proposed debt issuance is consistent with those policies. The issuer's local debt policies must include (A) through (E), below. If the issuer has received certification from another governmental entity that will use the proceeds of the debt issue, then the issuer may rely on a certification by that other governmental entity that it has adopted local debt policies that include (C), (D) and (E), below.

- A) The purposes for which the debt proceeds may be used.
- B) The types of debt that may be issued.
- C) The relationship of the debt to, and integration with, the issuer's capital improvement program or budget, if applicable.
- D) Policy goals related to the issuer's planning goals and objectives.
- E) The internal control procedures that the issuer has implements, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.

Section 8855(i) reads "The report of proposed debt issuance shall include a certification by the issuer that it has adopted local debt policies..." For the purposes of applying this section issuers should understand the term "local debt" as being debt issued for the benefit of a local agency. As a result, section 8855(i), as it specifically relates to debt policies, does not apply to state agencies, instrumentalities of the state, or to non-governmental entities such as for-profit or not-for-profit organizations that may issue or receive proceeds from a debt issuance. Similarly, the term "other governmental entity" in section 8855(i)(2) means an entity of local government.

Issuers should interpret the meaning of the term "adopted" in section 8855(i) to mean by act of the governing body. If the issuer's governing body has taken an action to delegate the authority to "adopt" local debt policies to administrative staff, the actions of these staff may meet the requirements of section 8855(i)(1). An issuer's local debt policies may be contained within a single document or be the composite of more than one documents. Irrespective of the form, the local debt policies must be adopted by the issuer.

In order to comply with section 8855(i)(1), then, the issuer must certify on the Report of Proposed Debt Issuance that it has adopted local debt policies concerning the use of debt and that the contemplated debt issuance is consistent with those local debt policies. Issuers will be able to make this certification after January 1, 2017 using the Report of Proposed Debt Issuance. The new form will include the following statement followed by three acceptable responses in the form checkboxes.

"The issuer certifies that it has complied with GC section 8855(i) with respect to local debt policies. YES NO NA "

For issuers that issue debt for their own purposes that respond to this statement with a YES response are confirming that they certify that they have adopted local debt policies in compliance with section 8855(i). A response of NO indicates that they cannot certify that they have adopted local debt policies in compliance with section 8855(i)(1). Issuers that are not issuing local debt, such as the state or instrumentality of the state, may respond NA because they do not issue local debt.

If the issuer is a conduit issuer, a YES response means that the issuer certifies that it has adopted local debt policies in compliance with section 8855(i)(1). Furthermore, the local debt policies include (A) through (E) of section 8855(i)(1) OR the issuer is certifying that it has adopted local debt policies in compliance with section 8855(i)(1) and the policies include (A) and (B) AND they have relied upon a certification from the other governmental entity that it has adopted local debt policies in compliance with section 8855(i)(1) and the local debt policies of the other government entity includes (C), (D) and (E). A NO response means that it does not certify that it has adopted local debt policies in compliance with section 8855(i) or it has not received a certification from the other governmental entity that it has. An NA response indicates that the entity that will use the proceeds of the sale of debt is a non-governmental entity (e.g., a private non-profit) or the conduit is not itself an issuer of local debt (e.g. state instrumentality).

It is incumbent upon the issuer to interpret and apply subparts (A) through (E) to their local debt policies as it is for the governmental entity that may use proceeds from the sale of debt to interpret and apply subparts (C), (D) and (E) to their local debt policies.

Guidance on Government Code section 8855(k)

Effective January 1, 2017, state and local issuers will be required to submit an annual debt transparency report for any issue of debt for which they have submitted a Report of Final Sale during the reporting period. The annual debt transparency report is due to CDIAC within seven (7) months of the close of the reporting period, defined as July 1st to June 30th. This provision makes January 31st the effective deadline for submittal of the annual debt transparency report. Issuers will continue to submit an annual debt transparency report to CDIAC on or before January 31st each year until the later date on which the debt is no longer outstanding or the proceeds have been fully spent. Debt issued between January 1, 2017 and June 30, 2017, and reported to CDIAC on or after January 21, 2017 will be required to submit an annual debt transparency report no later than January 31, 2018.

CDIAC will provide an online form to enable issuers to submit information to CDIAC in compliance with section 8855(k). CDIAC is in the process of both creating the form and developing the underlying functional applications to support data submission and reporting. It is very likely that the form and the process for complying with SB 1029 using the form will evolve over time as CDIAC and issuers adapt to this new reporting requirement.

At a minimum, the annual debt transparency report will require issuers to include:

- A) Debt authorized during the reporting period, which shall include:
 - a. Debt authorized at the beginning of the reporting period.
 - b. Debt authorized and issued during the reporting period.
 - c. Debt authorized but not issued at the end of the reporting period.
 - d. Debt authority that has lapsed during the reporting period.
- B) Debt outstanding during the reporting period, which shall include the following:
 - a. Principal balance at the beginning of the reporting period.
 - b. Principal paid during the reporting period.
 - c. Principal outstanding at the end of the reporting period.
- C) The use of proceeds of issued debt during the reporting period, which shall include the following:
 - a. Debt proceeds available at the beginning of the reporting period.
 - b. Proceeds spent during the reporting and the purposes for which it was spent.
 - c. Debt proceeds remaining at the end of the reporting period.

In compliance with section 8855(k)(1)(A), issuers must provide in their annual debt transparency report to CDIAC the "debt authorized during the reporting period". Issuers should understand the term "authorized" to mean a formal action of the governing body or a vote of the electorate or taxpayers establishing a maximum amount to be borrowed. In the case of certain loans, commercial paper programs, and some refunding programs, this action may be a

resolution of the governing body establishing a maximum limit that the issuer may borrow. For debt issued in more than one sale or transaction that will generate more than one Report of Final Sale, the "debt authorized" should be understood to mean to total amount approved by the voters or taxpayers or by act of the governing body. For debt issued in a single sale or transactions, the "debt authorized" is expected to equal the amount of the debt reported on the Report of Final Sale.

Issuers submitting a Report of Final Sale between January 21, 2017 and June 30, 2017, must include in their annual debt transparency report, due on or before January 31, 2018, the following information:

- 1) The total amount of debt authorized as of January 1, 2017;
- 2a) The amount of additional debt authorized during the reporting period;
- 2b) The amount issued between January 1, 2017 and June 30, 2017 from the authority available in 1) and 2a), combined;
- 3) The amount of debt authorized that was not issued between January 1, 2017 and June 30, 2017 (logically, the result of (1 plus 2a) minus 2b); and,
- 4) The amount of debt authority (represented by (1 plus 2a)) that has lapsed between January 1, 2017 and June 30, 2017.

The term "authority that has lapsed" will mean authority that is no longer valid and, therefore, does not provide a legal basis to issue debt, including authority that has expired or that the issuer has taken an action to revoke.

In subsequent years, the amount of debt authorized at the beginning of the period will be equivalent to the amount of debt authorized but not issued at the end of the prior reporting period less any authority that has lapsed.

An issuer that has received authority during the reporting period, but has not issued debt based upon that authority and has not, therefore, submitted a Report of Final Sale is not required to submit an annual debt transparency report with respect to that authority. Once it does issue debt and submits a Report of Final Sale it will be obligated to submit an annual debt transparency report within seven (7) months of the close of the reporting period during which it issued the debt. There may be circumstances in which an issuer has available authority based upon a ballot measure or act of the governing body even though it has paid off or fully refunded the debt previously issued under that authority. In this case, the issuer would not be required to submit an annual debt transparency report.

Issuers must provide on the annual debt transparency report the debt outstanding during the reporting period. Issuers should understand the term "debt outstanding" to mean the original principal received from the sale of debt that has not been fully repaid to debtholders.

In the case of a zero-coupon bond or capital appreciation structure, issuers should consider the original principal to be the full accreted value of the bonds at the end of the reporting period. Because of the nature of capital appreciation structure an issuer's annual debt transparency report is likely to report an increase in the "debt outstanding" year over year.

Issuers submitting a Report of Final Sale between January 1, 2017 and June 30, 2017, must include in their annual debt transparency report, due on or before January 31, 2018, the following information:

- 1) The original principal received on the date of sale.
- 2) The amount of the principal paid off between January 1, 2017 and June 30, 2017.
- 3) The amount of principal remaining as of June 30, 2017.

Issuers must provide on the annual debt transparency report the use of debt proceeds during the reporting period. Issuers should understand the term "proceeds" to mean all funds received from the sale of debt inclusive of premium and discount.

Issuers submitting a Report of Final Sale between January 21, 2017 and June 30, 2017, must include in their annual debt transparency report, due on or before January 31, 2018, the following information:

- 1) Debt proceeds available upon the date of settlement.
- 2) The amount of proceeds spent between the date of settlement and June 30, 2017 and the purposes for which these proceeds were spent.
- 3) The amount of proceeds remaining as of June 30, 2017.

CDIAC does not anticipate defining or categorizing "purposes" for which the proceeds were spent. Instead, CDIAC will provide a reporting form that will enable issuers to self-identify categories of "purpose" on their annual debt transparency report.

Issuers must continue to submit annual debt transparency reports until the debt has been paid off or the bond proceeds have fully spent.

There are special considerations issuers of refunding debt must take into account. If the issuer fully refunds a debt with a refunding debt, the issuer must submit an annual debt transparency report on both the refunding debt and a final annual report on the refunded debt. If there are any proceeds left in the refunded debt, the issuer must continue to report on the refunded debt until the proceeds have been spent. If the issuer partially refunds a debt with a refunding debt, the issuer must report on the refunded debt and the refunding debt until either the debtholders are full repaid or the proceeds have been fully spent, whichever is later. In other words, even though the proceeds of the refunding debt were used to pay off the refunded debt, the issuer must take the approach that the purpose of the annual debt transparency report is to account for the use of proceeds received from the original debt issuance.

If the refunding debt includes new money, the issuer must report the use of proceeds of the portion of refunding debt used to refund the refunded debt as "refunding <debt identifier>" AND the use of new money proceeds for their intended uses. If the refunding debt includes no new money, the issuer must report the use of proceeds of the refunding debt as "refunding <debt identifier>". The debt identifier is currently the CDIAC Issue Number.

In reporting on the use of proceeds that are received from the sale of debt but are comingled with other funds not received from the sale of debt, the issuer should report on the proceeds from the sale of debt only.

Issuers of conduit bonds must report on the use of proceeds as used by the borrower. Conduit issuers should not report that the proceeds were "lent to a borrower", but for the purposes to which the borrower used the proceeds. The issuer may wish to assign responsibility to the borrower to report on the use of proceeds. Conduit issuers issuing lease revenue bonds must also comply with section 8855(k).



California
LEGISLATIVE INFORMATION

SB-1029 California Debt and Investment Advisory Commission: accountability reports. (2015-2016)

Senate Bill No. 1029

CHAPTER 307

An act to amend Section 8855 of the Government Code, relating to state government.

[Approved by Governor September 12, 2016. Filed with Secretary of State
September 12, 2016.]

LEGISLATIVE COUNSEL'S DIGEST

SB 1029, Hertzberg. California Debt and Investment Advisory Commission: accountability reports.

Existing law establishes the California Debt and Investment Advisory Commission to, among other things, maintain contact with state and municipal bond issuers, underwriters, investors, and credit rating agencies to improve the market for state and local government debt issues and to assist state and local governments to prepare, market, and sell their debt issues. Existing law requires the commission to collect, maintain, and provide comprehensive information on all state and all local debt authorization and issuance and to serve as a statistical clearinghouse for all state and local debt issuance.

This bill would additionally require the commission to track and report on all state and local outstanding debt until fully repaid or redeemed.

Existing law requires the issuer of debt of state or local government to submit reports to the commission, within specified timeframes, of the proposed issuance of debt and of final sale, as provided.

This bill would require that the report of proposed debt include a certification by the issuer that it has adopted local debt policies, which include specified provisions concerning the use of debt and that the contemplated debt issuance is consistent with those local debt policies.

This bill would also require a state or local public agency to submit an annual report for any issue of debt for which it has submitted a report of final sale on or after January 21, 2017. The bill would require the annual report to cover a reporting period of July 1 to June 30, inclusive, and to include specified information about debt issued and outstanding and the use of proceeds from debt during the reporting period. The bill would require that the report be submitted within 7 months after the end of the reporting period by any method approved by the commission. The bill would require the commission to consult with appropriate state and local debt issuers and organizations representing debt issuers prior to approving any annual method of reporting pursuant to these provisions, as provided.

This bill would make various findings and declarations regarding its provisions.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. The Legislature hereby finds and declares all of the following:

(a) California's 4,200 units of local government have issued \$1.5 trillion in debt since 1984. The California Debt and Investment Advisory Commission (CDIAC) was created in 1982 to provide information, education, and technical assistance on debt issuance and investments to local public agencies and other public finance professionals. Over the past three decades, CDIAC has emerged as a national thought leader in public finance.

(b) Nationally, there is approximately \$3.7 trillion of state and local government debt outstanding. Of all outstanding state and local government debt, approximately 75 percent is held by households and mutual funds owned predominantly by households. State governments, local governments, and their stakeholders benefit from better data about public debt. Transparency on public debt promotes better government and market integrity. It is in the interest of the people that state and local agencies utilize technological opportunities to provide transparency to the public.

(c) State and local agencies should adopt comprehensive written debt management policies pursuant to the recommendation of the Government Finance Officers Association, a professional organization of over 18,000 public officials united to enhance and promote the professional management of governmental financial resources. These policies should reflect local, state, and federal laws and regulations.

(d) It is the intent of the Legislature that all debt issuance of state and of local governments be published in a single, transparent online database that allows the citizens of California to analyze, interpret, and understand how debt authorized by the public is utilized to finance facilities and services at the state and local level.

SEC. 2. Section 8855 of the Government Code is amended to read:

8855. (a) There is created the California Debt and Investment Advisory Commission, consisting of nine members, selected as follows:

- (1) The Treasurer, or his or her designee.
- (2) The Governor or the Director of Finance.
- (3) The Controller, or his or her designee.
- (4) Two local government finance officers appointed by the Treasurer, one each from among persons employed by a county and by a city or a city and county of this state, experienced in the issuance and sale of municipal bonds and nominated by associations affiliated with these agencies.
- (5) Two Members of the Assembly appointed by the Speaker of the Assembly.
- (6) Two Members of the Senate appointed by the Senate Committee on Rules.

(b) (1) The term of office of an appointed member is four years, but appointed members serve at the pleasure of the appointing power. In case of a vacancy for any cause, the appointing power shall make an appointment to become effective immediately for the unexpired term.

(2) Any legislators appointed to the commission shall meet with and participate in the activities of the commission to the extent that the participation is not incompatible with their respective positions as Members of the Legislature. For purposes of this chapter, the Members of the Legislature shall constitute a joint interim legislative committee on the subject of this chapter.

(c) The Treasurer shall serve as chairperson of the commission and shall preside at meetings of the commission.

(d) Appointed members of the commission shall not receive a salary, but shall be entitled to a per diem allowance of fifty dollars (\$50) for each day's attendance at a meeting of the commission not to exceed three hundred dollars (\$300) in any month, and reimbursement for expenses incurred in the performance of their duties under this chapter, including travel and other necessary expenses.

(e) The commission may adopt bylaws for the regulation of its affairs and the conduct of its business.

(f) The commission shall meet on the call of the chairperson, at the request of a majority of the members, or at the request of the Governor. A majority of all nonlegislative members of the commission constitutes a quorum for the transaction of business.

(g) The office of the Treasurer shall furnish all administrative assistance required by the commission.

(h) The commission shall do all of the following:

(1) Assist all state financing authorities and commissions in carrying out their responsibilities as prescribed by law, including assistance with respect to federal legislation pending in Congress.

(2) Upon request of any state or local government units, to assist them in the planning, preparation, marketing, and sale of debt issues to reduce cost and to assist in protecting the issuer's credit.

(3) Collect, maintain, and provide comprehensive information on all state and all local debt authorization and issuance, track and report on all state and local outstanding debt until fully repaid or redeemed, and serve as a statistical clearinghouse for all state and local debt. This information shall be available to the public.

(4) Maintain contact with state and municipal bond issuers, underwriters, credit rating agencies, investors, and others to improve the market for state and local government debt issues.

(5) Undertake or commission studies on methods to reduce the costs and improve credit ratings of state and local issues.

(6) Recommend changes in state laws and local practices to improve the sale and servicing of state and local debts.

(7) Establish a continuing education program for local officials having direct or supervisory responsibility over municipal investments and debt issuance. The commission shall undertake these and any other activities necessary to disclose investment and debt issuance practices and strategies that may be conducive for oversight purposes.

(8) Collect, maintain, and provide information on local agency investments of public funds for local agency investment.

(9) Publish a monthly newsletter describing and evaluating the operations of the commission during the preceding month.

(i) (1) The issuer of any proposed debt issue of state or local government shall, no later than 30 days prior to the sale of any debt issue, submit a report of the proposed issuance to the commission by any method approved by the commission. This subdivision shall also apply to any nonprofit public benefit corporation incorporated for the purpose of acquiring student loans. The commission may require information to be submitted in the report of proposed debt issuance that it considers appropriate. Failure to submit the report shall not affect the validity of the sale. The report of proposed debt issuance shall include a certification by the issuer that it has adopted local debt policies concerning the use of debt and that the contemplated debt issuance is consistent with those local debt policies. A local debt policy shall include all of the following:

(A) The purposes for which the debt proceeds may be used.

(B) The types of debt that may be issued.

(C) The relationship of the debt to, and integration with, the issuer's capital improvement program or budget, if applicable.

(D) Policy goals related to the issuer's planning goals and objectives.

(E) The internal control procedures that the issuer has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.

(2) In the case of an issue of bonds the proceeds of which will be used by a governmental entity other than the issuer, the issuer may rely upon a certification by that other governmental entity that it has adopted the policies described in subparagraphs (C), (D), and (E) of paragraph (1), and references to the "issuer" in those subparagraphs shall be deemed to refer instead to the other governmental entity.

(j) The issuer of any debt issue of state or local government, not later than 21 days after the sale of the debt, shall submit a report of final sale to the commission by any method approved by the commission. A copy of the final official statement for the issue shall accompany the report of final sale. If there is no official statement, the issuer shall provide each of the following documents, if they exist, along with the report of final sale:

(1) Other disclosure document.

- (2) Indenture.
- (3) Installment sales agreement.
- (4) Loan agreement.
- (5) Promissory note.
- (6) Bond purchase contract.
- (7) Resolution authorizing the issue.
- (8) Bond specimen.

The commission may require information to be submitted in the report of final sale that it considers appropriate. The issuer may redact confidential information contained in the documents if the redacted information is not information that is otherwise required to be reported to the commission.

(k) (1) A public agency, whether state or local, shall submit an annual report for any issue of debt for which it has submitted a report of final sale pursuant to subdivision (j) on or after January 21, 2017. The annual report shall cover a reporting period from July 1 to June 30, inclusive, and shall be submitted no later than seven months after the end of the reporting period by any method approved by the commission. Before approving any annual method of reporting pursuant to this subdivision, the commission shall consult with appropriate state and local debt issuers and organizations representing debt issuers for purposes that shall include, but not be limited to, making a proposed reporting method more efficient and less burdensome for issuers. The annual report shall consist of the following information:

(A) Debt authorized during the reporting period, which shall include the following:

- (i) Debt authorized at the beginning of the reporting period.
- (ii) Debt authorized and issued during the reporting period.
- (iii) Debt authorized but not issued at the end of the reporting period.
- (iv) Debt authority that has lapsed during the reporting period.

(B) Debt outstanding during the reporting period, which shall include the following:

- (i) Principal balance at the beginning of the reporting period.
- (ii) Principal paid during the reporting period.
- (iii) Principal outstanding at the end of the reporting period.

(C) The use of proceeds of issued debt during the reporting period, which shall include the following:

- (i) Debt proceeds available at the beginning of the reporting period.
- (ii) Proceeds spent during the reporting period and the purposes for which it was spent.
- (iii) Debt proceeds remaining at the end of the reporting period.

(2) Compliance with this subdivision shall be required for each issue of debt with outstanding debt, debt that has been authorized but not issued, or both, during the reporting period.

(3) The commission may, if technology permits, develop an alternate reporting method, provided that any alternate reporting method is in furtherance of the purpose of collecting the data required by this subdivision. Before approving any alternate annual method of reporting pursuant to this subdivision, the commission shall consult with appropriate state and local debt issuers and organizations representing debt issuers for purposes that shall include, but not be limited to, making a proposed reporting method more efficient and less burdensome for issuers.

**Recording Requested By and
When Recorded Mail To:**

Stradling, Yocca, Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, California 92660
Attn: Brian P. Forbath, Esq.

2016-0540024

12/05/2016 12:41 PM

*****Customer Copy Label*****

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**Peter Aldana
County Of Riverside
Assessor-County Clerk-Recorder**

This document is exempt from
the payment of a recording fee
pursuant to Government Code
Section 6103.

**NOTICE OF SPECIAL TAX LIEN
FOR COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF THE TEMESCAL VALLEY WATER DISTRICT**

Pursuant to the requirements of Section 3114.5 of the Streets and Highways Code and Section 53328.3 of the Government Code, the undersigned Secretary of the Temescal Valley Water District (the "Water District"), acting on behalf of Community Facilities District No. 4 (Terramor) of the Temescal Valley Water District (the "District"), State of California, hereby gives notice that a lien to secure payment of special taxes is hereby imposed by the Board of Directors of the Temescal Valley Water District, Riverside County, State of California, sitting as the legislative body of the District. The special taxes secured by this lien is authorized to be levied for the purpose of: (a) paying for the cost of the construction, purchase, modification, expansion, rehabilitation and/or improvement of (1) water and sewer facilities including the acquisition of capacity in the sewer system and/or water system of the Water District (the "Water District Facilities"); (2) certain roadways and roadway improvements and related infrastructure and improvements of the County of Riverside (the "County Facilities") and (3) storm and sewer drains and related infrastructure and improvements of the Riverside County Flood Control and Water Conservation District (the "Flood Control Facilities" and together with the Water District Facilities and County Facilities, the "Facilities"); (b) to finance the incidental expenses (the "Incidental Expenses") to be incurred, including: (1) the cost of engineering, planning and designing the Facilities; (2) all costs, including costs of the property owner petitioning for formation of the District, associated with the creation of the District, the issuance of the bonds, the determination of the amount of special taxes to be levied and costs otherwise incurred in order to carry out the authorized purposes of the District; and (3) any other expenses incidental to the construction, acquisition, modification, rehabilitation, completion and inspection of the Facilities; and (c) paying for the principal and interest and other periodic costs on the bonds to be issued to finance the Facilities and Incidental Expenses.

The special tax is authorized to be levied within the District, which has now been officially formed and the lien is a continuing lien which shall secure each annual levy of the special tax and which shall continue in force and effect until the special tax obligation is prepaid, permanently satisfied, and canceled in accordance with law or until the special tax ceases to be levied and a notice of cessation of special tax is recorded in accordance with Section 53330.5 of the Government Code.

The rate, method of apportionment and manner of collection of the authorized special tax is as set forth in Appendix A attached hereto and incorporated herein by this reference.

Conditions under which the obligation to pay the Special Tax may be prepaid and permanently satisfied and the lien of the special tax cancelled are as follows:

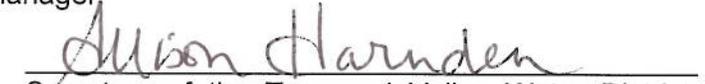
Parcels within the District may prepay the special tax obligation in whole or in part as set forth in Section H of Appendix A attached hereto.

Notice is further given that upon the recording of this notice in the office of the County Recorder, the obligation to pay the special tax levy shall become a lien upon all nonexempt real property within the District in accordance with Section 3115.5 of the Streets and Highway Code.

The names of the owners and the description of the real property included within the District and not exempt from the special tax are as set forth in Appendix B attached hereto and incorporated herein by this reference.

Reference is made to the boundary map of the District recorded at Book No. 80 of Maps of Assessment and Community Facilities Districts at Page No. 78, in the office of the County Recorder for the County of Riverside, State of California, which map is now the final boundary map of the District.

For further information concerning the current and estimated future tax liability of owners or purchasers of real property subject to this special tax lien, interested persons should contact the Temescal Valley Water District, 22646 Temescal Canyon Road, Temescal Valley, California 92883, (951) 277-1414, Attention: Office Manager.


Secretary of the Temescal Valley Water District,
acting on behalf of Community Facilities District No.
4 (Terramor) of the Temescal Valley Water District

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR IMPROVEMENT AREA NO. 1 OF COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR) OF TEMESCAL VALLEY WATER DISTRICT

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in Improvement Area No. 1 ("IA No. 1") of Temescal Valley Water District Community Facilities District No. 4 (Terramor) ("CFD No. 4") and collected each Fiscal Year commencing in Fiscal Year 2017-2018, in an amount determined by the Board, through the application of the Rate and Method of Apportionment as described below. All of the real property in IA No. 1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre" or "Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map, parcel map, condominium plan, or other recorded County parcel map.

"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 IA No. 1: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the Water District or designee thereof or both); the costs of collecting the Special Taxes (whether by the Water District 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 Water District, CFD No. 4 or any designee thereof of complying with arbitrage rebate requirements; the costs to the Water District, CFD No. 4 or any designee thereof of complying with Water District, IA No. 1 or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the Water District, CFD No. 4 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; the costs associated with the Special Tax reduction described in Section J; the costs associated with the issuance of Bonds; and the Water District's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the Water District or CFD No. 4 for any other administrative purposes of IA No. 1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure, or otherwise addressing the disposition of delinquent Special Taxes.

"Approved Property" means, for each Fiscal Year, all Taxable Property, exclusive of Developed Property, Taxable Property Owner Association Property, and Taxable Public

Property, for which a Final Map was recorded prior to January 1 of the previous Fiscal Year.

"Assessor's Parcel" means any real property to which an Assessor's parcel number is assigned as shown on an Assessor's Parcel Map.

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

"Assigned Special Tax" means the Special Tax for each Land Use Class of Developed Property within IA No. 1, as determined in accordance with Section C below.

"Backup Special Tax" means the Special Tax applicable to each Assessor's Parcel of Developed Property within IA No. 1, as determined in accordance with Section C below.

"Board" means the Board of Directors of the Water District, acting as the legislative body of CFD No. 4.

"Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 4 for IA No. 1 under the Act.

"CFD Administrator" means an official of the Water District, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

"CFD No. 4" means the Temescal Valley Water District Community Facilities District No. 4 (Terramor).

"County" means the County of Riverside.

"Developed Property" means, for each Fiscal Year, all Taxable Property, exclusive of Other Taxable Property, (i) for which a building permit was issued prior to March 1 of the prior Fiscal Year, and (ii) that is located within a Final Map.

"Final Map" means (i) a final map, or portion thereof, approved by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) that creates individual lots or parcels for which building permits may be issued without further subdivision, or (ii) for condominiums, a final map approved by the County and a condominium plan recorded pursuant to California Civil Code Section 1352 creating such individual lots or parcels.

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

"Improvement Area No. 1" or "IA No. 1" means Improvement Area No. 1 of CFD No. 4.

"Indenture" means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time.

"Land Use Class" means any of the classes listed in Tables 1 and 2 below.

"Maximum Special Tax" means the Maximum Special Tax, determined in accordance with Section C and Section D below, that can be levied in any Fiscal Year on any Assessor's Parcel within IA No. 1.

"Non-Residential Property" means Developed Property for which a building permit(s) was issued for a non-residential use.

"Outstanding Bonds" means all Bonds which are deemed to be outstanding under the Indenture.

"Other Taxable Property" means Taxable Public Property and Taxable Property Owner Association Property.

"Proportionately" means, for Developed Property, that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Assessor's Parcels of Developed Property, except to the extent that the Special Tax levy on Residential Property is limited as described in the first step in Section D below. For Approved Property or Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Approved Property or Undeveloped Property. For Other Taxable Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Other Taxable Property.

"Property Owner Association Property" means, for each Fiscal Year, any property within the boundaries of IA No. 1 that was owned by a property owner association, including any master or sub-association, as of January 1 of the prior Fiscal Year.

"Public Property" means, for each Fiscal Year, any property within IA No. 1 that is owned by, irrevocably offered for dedication to, or dedicated to the federal government, the State, the County, Water District, or any other public agency as of June 30 of the prior Fiscal Year; provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use. To ensure that property is classified as Public Property in the first Fiscal Year after it is acquired by, irrevocably offered for dedication to, or dedicated to a public agency, the property owner shall notify the CFD Administrator in writing of such acquisition, offer, or dedication not later than June 30 of the Fiscal Year in which the acquisition, offer, or dedication occurred.

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

"Residential Property" means Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

"Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property to fund the Special Tax Requirement.

"Special Tax Requirement" means that amount required in any Fiscal Year to: (i) pay debt service on all Outstanding Bonds; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay directly for the acquisition or construction of facilities authorized to be financed by IA No. 1 to the extent that inclusion of such amount does not increase the Special Tax levy on Approved Property or Undeveloped Property; and (vi) pay for reasonably anticipated Special Tax delinquencies based on the historical delinquency rate for IA No. 1 as determined by the CFD Administrator; less (vii) a credit for funds available to reduce the annual Special Tax levy, as determined by the CFD Administrator pursuant to the Indenture.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of IA No. 1 which are not exempt from the Special Tax pursuant to law or Section E below.

"Taxable Property Owner Association Property" means all Assessor's Parcels of Property Owner Association Property that are not exempt pursuant to Section E below.

"Taxable Public Property" means all Assessor's Parcels of Public Property that are not exempt pursuant to Section E below.

"Trustee" means the trustee or fiscal agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Approved Property, Developed Property, or Other Taxable Property.

"Water District" means the Temescal Valley Water District.

"Zone" means Zone A and/or Zone B, as applicable.

"Zone A" means Zone A of IA No. 1, as identified on the map included as Exhibit A.

"Zone B" means Zone B of IA No. 1, as identified on the map included as Exhibit A.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within Zone A and Zone B of IA No. 1 shall be classified as Developed Property, Approved Property, Other Taxable Property, or Undeveloped Property, and shall be subject to Special Taxes in accordance with this Rate and Method of Apportionment as determined pursuant to Sections C and D below. Developed Property shall be further classified as Residential Property or Non-Residential Property.

C. MAXIMUM SPECIAL TAX

1. Developed Property

Residential Property in Zone A shall be assigned to Land Use Classes 1 through 5 of Table 1 below, and Non-Residential Property in Zone A shall be assigned to

Land Use Class 6 of Table 1 below. Residential Property in Zone B shall be assigned to Land Use Class 1 through 5 of Table 2 below, and Non-Residential Property in Zone B shall be assigned to Land Use Class 6 of Table 2 below. The Assigned Special Tax for Residential Property shall be based on the Residential Floor Area of the dwelling unit(s) located on the Assessor's Parcel. The Assigned Special Tax for Non-Residential Property shall be based on the Acreage of the Assessor's Parcel.

(a) Maximum Special Tax

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

The Maximum Special Tax (including the Assigned Special Taxes and the Backup Special Tax set forth in Sections C.1.(b), C.1.(c) and C.1.(d) below) may be reduced in accordance with, and subject to the conditions set forth in, Section J below.

(b) Assigned Special Tax – Zone A (Market Rate Units)

The Assigned Special Tax for each Land Use Class within Zone A is shown below in Table 1.

TABLE 1
Assigned Special Tax for Developed Property in
Zone A
(Market Rate Units)

Land Use Class	Description	Residential Floor Area	Assigned Special Tax
1	Residential Property	> 2,300 s.f.	\$3,183 per unit
2	Residential Property	2,151 – 2,300 s.f.	\$3,094 per unit
3	Residential Property	2,001 – 2,150 s.f.	\$2,977 per unit
4	Residential Property	1,851 – 2,000 s.f.	\$2,888 per unit
5	Residential Property	< 1,851 s.f.	\$2,799 per unit
6	Non-Residential Property	NA	\$29,636 per Acre

(c) Assigned Special Tax – Zone B (Age-Qualified Units)

The Assigned Special Tax for each Land Use Class within Zone B is shown below in Table 2.

**TABLE 2
Assigned Special Tax for Developed Property in
Zone B
(Age-Qualified Units)**

Land Use Class	Description	Residential Floor Area	Assigned Special Tax
1	Residential Property	> 2,599 s.f.	\$3,274 per unit
2	Residential Property	2,300 – 2,599 s.f.	\$2,888 per unit
3	Residential Property	1,900 – 2,299 s.f.	\$2,502 per unit
4	Residential Property	1,601 – 1,899 s.f.	\$2,115 per unit
5	Residential Property	< 1,601 s.f.	\$1,986 per unit
6	Non-Residential Property	NA	\$16,532 per Acre

(d) Backup Special Tax

The Backup Special Tax for an Assessor's Parcel of Developed Property will equal the amount indicated in Table 3 below for the applicable Zone.

**TABLE 3
Backup Special Tax for
Zone A and Zone B**

Zone	Backup Special Tax
A	\$29,636 per Acre
B	\$16,532 per Acre

2. Approved Property, Undeveloped Property and Other Taxable Property

The Maximum Special Tax for Approved Property, Undeveloped Property, and Other Taxable Property will equal the amount indicated in Table 4 below for the applicable Zone.

TABLE 4
Approved Property, Undeveloped
Property, and Other Taxable Property
in Zone A and Zone B

Zone	Maximum Special Tax
A	\$29,636 per Acre
B	\$16,532 per Acre

3. Multiple Land Uses

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Assigned Special Tax levied on an Assessor's Parcel shall be the sum of the Assigned Special Taxes for all Land Use Classes located on that Assessor's Parcel. The Maximum Special Tax that can be levied on an Assessor's Parcel shall be the sum of the Maximum Special Taxes that can be levied for all Land Use Classes located on that Assessor's Parcel. For an Assessor's Parcel that contains multiple land uses, the Acreage of such Assessor's Parcel shall be allocated to each type of property based on the amount of Acreage designated for each land use as determined by reference to the site plan approved for such Assessor's Parcel.

The CFD Administrator's allocation to each type of property shall be final.

D. APPORTIONMENT OF THE SPECIAL TAX

For each Fiscal Year, commencing Fiscal Year 2017-2018, the Board shall determine the Special Tax Requirement and shall levy the Special Tax 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 Assigned Special Tax as needed to satisfy the Special Tax Requirement;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the Maximum Special Tax for Approved Property;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased in equal percentages from the Assigned Special Tax up to 100% of the Maximum Special Tax for each such Assessor's Parcel.

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Other Taxable Property at up to 100% of the Maximum Special Tax for Other Taxable Property.

Notwithstanding the above, pursuant to Section 53321(d)(3) of the California Government Code, under no circumstances will the Special Tax levied in any Fiscal Year against any Assessor's Parcel for which an occupancy permit for private residential use has been issued be increased as a consequence of delinquency or default by the owner or owners of any other Assessor's Parcel(s) within CFD No. 4 by more than 10% above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults. To the extent that the levy of the Special Tax on residential property is limited by the provision in the previous sentence, the levy of the Special Tax on each Assessor's Parcel of non-residential property shall continue to increase in equal percentages at up to 100% of the Maximum Special Tax.

E. EXEMPTIONS

No Special Taxes shall be levied on Property Owner Association Property and Public Property, so long as the Acreage of Taxable Property is at least 18.15 Acres within Zone A and 69.37 Acres within Zone B. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Property Owner Association Property or Public Property. However, should an Assessor's Parcel no longer be classified as Property Owner Association Property or Public Property, its tax-exempt status will be revoked.

To the extent that the exemption of an Assessor's Parcel of Property Owner Association Property or Public Property would reduce the Acreage of Taxable Property below 18.15 Acres in Zone A or 69.37 Acres in Zone B, such Assessor's Parcel shall be classified as Taxable Property Owner Association Property or Taxable Public Property, as applicable, and shall be subject to the levy of the Special Tax and shall be taxed as part of the sixth step in Section D above, at up to 100% of the applicable Maximum Special Tax for Other Taxable Property.

F. APPEALS AND INTERPRETATIONS

Any taxpayer may file a written appeal of the Special Tax on his/her property with the CFD Administrator, provided that the appellant is current in his/her payments of Special Taxes. During the pendency of an appeal, all Special Taxes previously levied must be paid on or before the payment date established when the levy was made. The appeal must specify the reasons why the appellant claims the Special Tax is in error. The CFD Administrator shall review the appeal, meet with the appellant if the CFD Administrator deems necessary, and advise the appellant of its determination. If the CFD Administrator agrees with the appellant, the CFD Administrator shall eliminate or reduce the Special Tax on the appellant's property and/or provide a refund to the appellant. If the CFD Administrator disagrees with the appellant and the appellant is dissatisfied with the determination, the appellant then has 30 days in which to appeal to the Board by filing a written notice of appeal with the clerk of the Board, provided that the appellant is current in his/her payments of Special Taxes. The second appeal must specify the reasons for its disagreement with the CFD Administrator's determination.

The CFD Administrator 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 property owner appeals. Any decision of the CFD Administrator shall be subject to appeal to the Board whose decision shall be final and binding as to all persons.

G. MANNER OF COLLECTION

The Special Tax will be collected in the same manner and at the same time as ordinary ad valorem property taxes; provided, however, that CFD No. 4 may directly bill the Special Tax, may collect the Special Tax 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.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section H:

"CFD Public Facilities" means either \$21.9 million in 2016 dollars, which shall increase by the Construction Inflation Index on July 1, 2017, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to provide the public facilities to be provided by CFD No. 4 on behalf of IA No. 1 under the authorized bonding program for IA No. 1, or (ii) shall be determined by the Board concurrently with a covenant that it will not issue any more Bonds to be supported by Special Tax levied under this Rate and Method of Apportionment as described in Section D.

"Construction Fund" means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Act.

"Construction Inflation Index" means the annual percentage change in the Engineering News Record Building Cost Index for the City of Los Angeles, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the 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 minus (i) public facility costs previously paid from the Construction Fund, (ii) moneys currently on deposit in the Construction Fund, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance facilities costs.

"Outstanding Bonds" means all Previously Issued Bonds which are deemed to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year.

"Previously Issued Bonds" means all Bonds that have been issued by CFD No. 4 for IA No. 1 prior to the date of prepayment.

1. Prepayment in Full

The obligation of an Assessor's Parcel to pay the Special Tax may be prepaid and permanently satisfied as described herein; provided that a prepayment may be made only for Assessor's Parcels of Developed Property and Approved Property and/or Undeveloped Property for which a building permit has been issued, and 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 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 service. Prepayment must be made not less than 45 days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture.

The Special Tax Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

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

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

Paragraph No.:

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
2. For Assessor's Parcels of Developed Property, compute the Assigned Special Tax and Backup Special Tax applicable for the Assessor's Parcel to be prepaid. For Assessor's Parcels of Approved Property and/or Undeveloped Property (for which a building permit has been issued) to be prepaid, compute the Assigned Special Tax and Backup Special Tax for that Assessor's Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for that Assessor's Parcel.
3. (a) Divide the Assigned Special Tax computed pursuant to paragraph 2 by the total estimated Assigned Special Tax for the entire IA No. 1 based on the Developed Property Special Tax which could be charged in the current Fiscal Year on all expected development at buildout of IA No. 1, excluding any Assessor's Parcels which have been prepaid, and

(b) Divide the Backup Special Tax computed pursuant to paragraph 2 by the estimated total Backup Special Tax at buildout of IA No. 1, excluding any Assessor's Parcels which have been prepaid.

4. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
6. Compute the current Future Facilities Costs.
7. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").
8. 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.
9. Determine the Special Tax levied on the Assessor's Parcel in the current Fiscal Year which has not yet been paid.
10. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Special Tax Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
11. Add the amounts computed pursuant to paragraphs 8 and 9 and subtract the amount computed pursuant to paragraph 10 (the "Defeasance Amount").
12. Verify the administrative fees and expenses of CFD No. 4 related to the IA No. 1 prepayment, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").
13. The reserve fund credit ("Reserve Fund Credit") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
14. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 11 and 12, less the amount computed pursuant to paragraph 13 (the "Prepayment Amount").
15. From the Prepayment Amount, the amounts computed pursuant to paragraphs 4, 5, 11, and 13 shall be deposited into the appropriate fund as established under

the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 4.

The Special Tax Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to 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 Board shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Tax 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 prepayment will be allowed unless the amount of Assigned Special Tax that may be levied on Taxable Property (based on expected development at build out), both prior to and after the proposed prepayment, less expected Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all Outstanding Bonds (excluding Bonds to be redeemed by such prepayment and all prior prepayments) in each future Fiscal Year and such prepayment will not impair the security of all Outstanding Bonds, as reasonably determined by the CFD Administrator.

2. Prepayment in Part

The Special Tax on an Assessor's Parcel of Developed Property or an Assessor's Parcel of Approved Property and/or Undeveloped Property for which a building permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as in Section H.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = [(P_E - AE) \times F] + AE$$

These terms have the following meaning:

- AE = the Administrative Fees and Expenses
- PP = the partial prepayment
- P_E = the Prepayment Amount calculated according to Section H.1
- F = the percentage by which the owner of the Assessor's Parcel is partially prepaying the Special Tax.

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of such owner's intent to partially prepay the Special Tax and the percentage by which the Special Tax shall be prepaid. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for an Assessor's Parcel within thirty (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 Water District shall (i) distribute the funds remitted to it according to Section H.1, and (ii) indicate in the records of CFD No. 4 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section D.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Assigned Special Tax that may be levied on Taxable Property (based on expected development at build out), both prior to and after the proposed prepayment, less expected Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all Outstanding Bonds (excluding Bonds to be redeemed by such prepayment and all prior prepayments) in each future Fiscal Year and such partial prepayment will not impair the security of all Outstanding Bonds, as reasonably determined by the CFD Administrator.

I. TERM OF SPECIAL TAX

The Special Tax shall be levied for the period necessary to fully satisfy items (i) through (iv) of the Special Tax Requirement, but in no event shall it be levied after Fiscal Year 2055-56.

J. SPECIAL TAX REDUCTION

"Independent Price Point Consultant" means any consultant or firm of such consultants selected by CFD No. 4 that (a) has substantial experience in performing Price Point Studies for residential units within community facilities districts or otherwise estimating or confirming pricing for residential units in community facilities districts, (b) is well versed in analyzing economic and real estate data that relates to the pricing of residential units in community facilities districts, (c) is in fact independent and not under the control of CFD No. 4 or the Water District, (d) does not have any substantial interest, direct or indirect, with or in (i) CFD No. 4, (ii) the Water District, (iii) any owner of real property in CFD No. 4, or (iv) any real property in CFD No. 4, and (e) is not connected with CFD No. 4 or the Water District as an officer or employee thereof, but who may be regularly retained to make reports to CFD No. 4 or the Water District.

"Plan Type" means, for each Zone, a discrete residential plan type that is constructed or expected to be constructed within IA No. 1 as identified in the Price Point Study.

"Price Point" means, with respect to the residential dwelling units in each Plan Type, as of any date, the minimum base price of such residential dwelling units, estimated as of such date, including any incentives and concessions, but excluding potential appreciation or premiums, options or upgrades, based upon their actual or expected characteristics, such as living area and lot size.

"Price Point Study" means a price point study or a letter updating a previous price point study, which (a) has been prepared by an Independent Price Point Consultant, (b) sets forth the Plan Types constructed or expected to be constructed within IA No. 1, (c) sets forth the estimated number of constructed and expected residential dwelling units for each Plan Type, (d) sets forth such Independent Price Point Consultant's estimate of the Price Point for each Plan Type and (e) uses a date for establishing such Price Points

that is no earlier than 60 days prior to the date the Price Point Study is delivered to the CFD Administrator pursuant to this Section J.

"Total Effective Tax Rate" means, for a Plan Type, the quotient of (a) the Total Tax and Assessment Obligation for such Plan Type divided by (b) the Price Point for such Plan Type, converted to a percentage.

"Total Tax and Assessment Obligation" means, with respect to a Plan Type, for the Fiscal Year in which the calculation is being performed, the quotient of (a) the sum of the Assigned Special Tax and estimated ad valorem property taxes, special assessments, special taxes for any overlapping community facilities districts, and any other governmental taxes, fees and charges levied or imposed on all residential dwelling units of such Plan Type in such Fiscal Year or that would have been levied or imposed on all such residential dwelling units had such residential dwelling units been completed, sold and subject to such levies and impositions in such Fiscal Year divided by (b) the number of residential dwelling units in such Plan Type. The Total Tax and Assessment Obligation for each Plan Type shall be calculated based on the applicable Residential Floor Area, Price Point, and number of constructed and expected residential dwelling units for such Plan Type as identified in the Price Point Study.

Prior to the issuance of the first series of Bonds, the following steps shall be taken:

Step No.:

1. At least 30 days prior to the expected issuance date of the first series of Bonds, CFD No. 4 shall cause a Price Point Study to be delivered to the CFD Administrator.
2. As soon as practicable after receipt of the Price Point Study, the CFD Administrator shall calculate the Total Effective Tax Rate for each Plan Type.
3. Separately, for each Land Use Class, the CFD Administrator shall determine whether or not the Total Effective Tax Rate for all Plan Types in a Land Use Class is less than or equal to 2.00% for property in Zone A and 1.75% for property in Zone B.
 - a. If the Total Effective Tax Rate for all Plan Types in a Land Use Class is less than or equal to 2.00% for property in Zone A and 1.75% for property in Zone B, then there shall be no change in the Assigned Special Tax for such Land Use Class.
 - b. If the Total Effective Tax Rate for any Plan Type in a Land Use Class is greater than 2.00% for property in Zone A or 1.75% for property in Zone B, then the CFD Administrator shall calculate a revised Assigned Special Tax for such Land Use Class, which revised Assigned Special Tax shall be the highest amount (rounded to the nearest whole dollar) that will not cause the Total Effective Tax Rate for any Plan Type in such Land Use Class to exceed 2.00% for property in Zone A and 1.75% for property in Zone B.

4. If the Assigned Special Tax for any Land Use Class in a Zone is revised pursuant to step 3.b. above, the CFD Administrator shall calculate a revised Backup Special Tax for all property within such Zone. The revised Backup Special Tax for such Zone shall be an amount (rounded to the nearest whole dollar) equal to the Backup Special Tax for such Zone as set forth in Section C.1.(d), reduced by a percentage equal to the weighted average percentage reduction in the Assigned Special Taxes for all Land Use Classes of Residential Property in such Zone resulting from the calculations in steps 3.a. and 3.b. above. The weighted average percentage will be calculated by taking the sum of the products of the number of units constructed or expected to be constructed in each Land Use Class multiplied by the percentage change for each Land Use Class (or 0 for Land Use Classes that are not changing). This amount is then divided by the total number of units constructed or expected to be constructed within the Zone and converted to a percentage.
5. If the Assigned Special Tax for any Land Use Class is revised pursuant to step 3.b. above, the CFD Administrator shall prepare and execute a Certificate of Reduction in Special Taxes substantially in the form of Exhibit B hereto and shall deliver such Certificate of Reduction in Special Taxes to CFD No. 4. The Certificate of Reduction in Special Taxes shall be completed for all Land Use Classes and shall set forth, as applicable, either (i) the reduced Assigned Special Tax for a Land Use Class as calculated pursuant to step 3.b., or (ii) the Assigned Special Tax as identified in Table 1 or Table 2 in Section C.1.(b) and C.1.(c) for a Land Use Class that was not revised as determined pursuant to step 3.a.; as well as either (i) the revised Backup Special Tax for a Zone as calculated pursuant to step 4, or (ii) the Backup Special Tax as identified in Table 3 in Section C.1.(d) for a Zone that was not revised as determined pursuant to step 4.
6. If the first series of Bonds is issued within 90 days of the date of receipt of the Price Point Study by the CFD Administrator, CFD No. 4 shall execute the acknowledgement on such Certificate of Reduction in Special Taxes, dated as of the date of such issuance, and, upon the issuance of such first series of Bonds, the Assigned Special Tax for each Land Use Class and the Backup Special Tax shall, ipso facto, be, for all purposes, as set forth in such Certificate of Reduction in Special Taxes. If the first series of Bonds is not issued within 90 days of the date of receipt of the Price Point Study by the CFD Administrator, such Certificate of Reduction in Special Taxes shall not be acknowledged by CFD No. 4 and shall, as of such date, be void and of no further force and effect. In such case, if subsequently, a first series of Bonds is expected to be issued, at least 30 days prior to the expected issuance date of such first series of Bonds, the CFD Administrator shall cause a new Price Point Study to be delivered to the CFD Administrator and, following such delivery, steps 2 through 5 of this section shall be performed based on such new Price Point Study.
7. As soon as practicable after the execution by CFD No. 4 of the acknowledgement on the Certificate of Reduction in Special Taxes, CFD No. 4 shall cause to be recorded in the records of the County Recorder an Amended Notice of Special Tax Lien for IA No. 1 reflecting the Assigned Special Taxes and the Backup Special Tax for each Zone set forth in such Certificate of Reduction in Special Taxes.

8. If the Assigned Special Tax is not required to be changed for any Land Use Class based on the calculations performed under step 3 above, there shall be no reduction in the Maximum Special Tax, and no Certificate of Reduction in Special Taxes shall be required. However the CFD Administrator shall prepare and deliver to CFD No. 4 a Certificate of No Reduction in Special Taxes substantially in the form of Exhibit C hereto dated as of the date of the issuance of the first series of Bonds that states that the calculations required pursuant to this Section J have been made and that no changes to the Assigned Special Tax or Backup Special Tax are necessary.
9. CFD No. 4 and the CFD Administrator shall take no further actions under this Section J upon the earlier to occur of the following: (i) the execution of the acknowledgement by CFD No. 4 on a Certificate of Reduction in Special Taxes pursuant to step 6; or (ii) the delivery by the CFD Administrator of a Certificate of No Reduction in Special Taxes pursuant to step 8.

EXHIBIT A

ZONE MAP

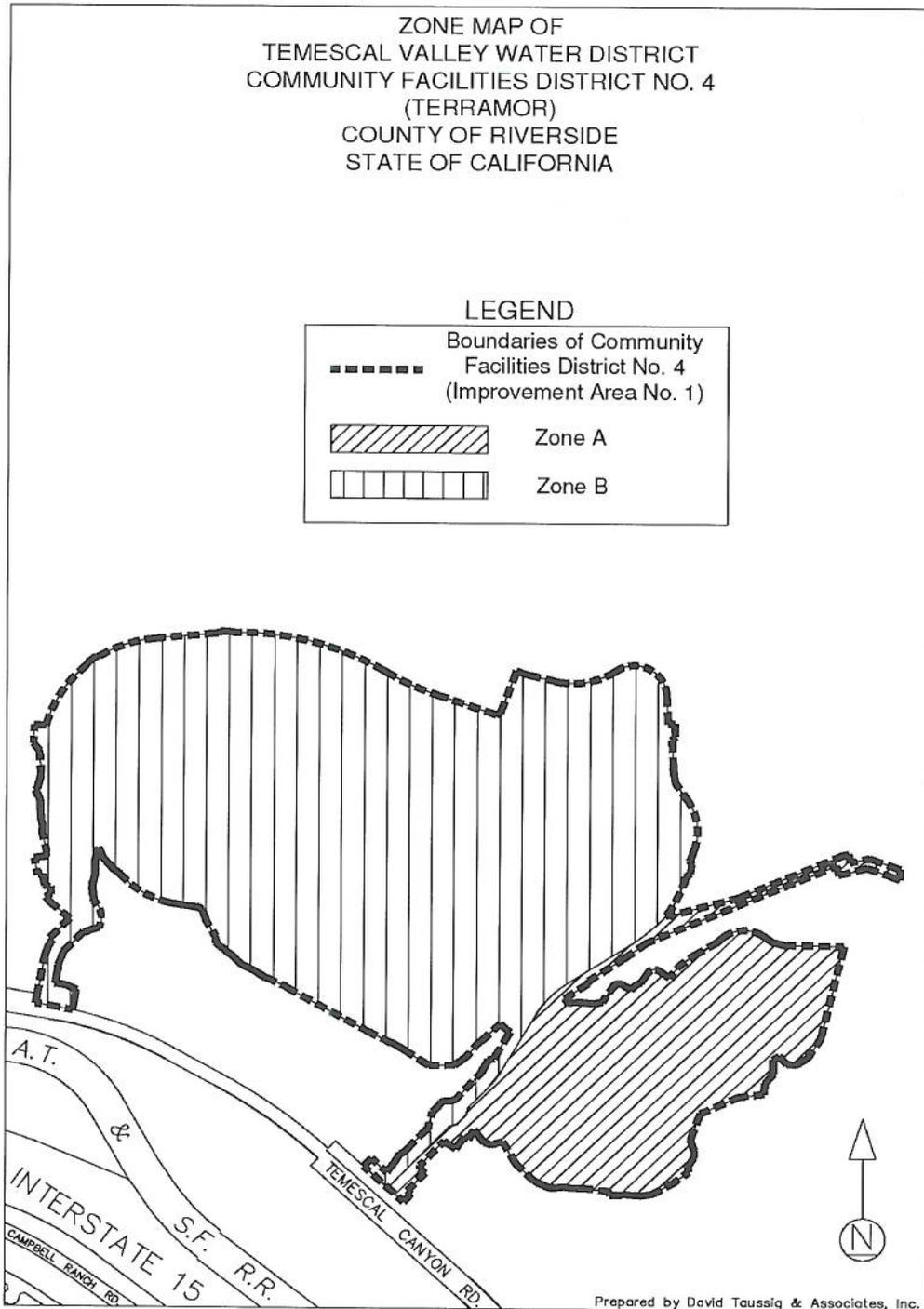


EXHIBIT B

CERTIFICATE OF REDUCTION IN SPECIAL TAXES

**Temescal Valley Water District
IA No. 1 of CFD No. 4**

1. Pursuant to Section J of the Rate and Method of Apportionment, the Assigned Special Tax and Backup Special Tax for Developed Property for [certain or all] Land Use Classes within IA No. 1 has been reduced.
2. The calculations made pursuant to Section J were based upon a Price Point Study that was received by the CFD Administrator on _____.
3. Tables 1A and 2A below show the Assigned Special Tax for each Land Use Class in Zones A and B after such reduction.

**TABLE 1A
Assigned Special Tax for Developed Property in
Zone A
(Market Rate Units)**

Land Use Class	Description	Residential Floor Area	Assigned Special Tax
1	Residential Property	> 2,300 s.f.	\$_____ per unit
2	Residential Property	2,151 – 2,300 s.f.	\$_____ per unit
3	Residential Property	2,001 – 2,150 s.f.	\$_____ per unit
4	Residential Property	1,851 – 2,000 s.f.	\$_____ per unit
5	Residential Property	< 1,851 s.f.	\$_____ per unit
6	Non-Residential Property	NA	\$_____ per Acre

TABLE 2A
Assigned Special Tax for Developed Property in
Zone B
(Age-Qualified Units)

Land Use Class	Description	Residential Floor Area	Assigned Special Tax
1	Residential Property	> 2,599 s.f.	\$_____ per unit
2	Residential Property	2,300 – 2,599 s.f.	\$_____ per unit
3	Residential Property	1,900 – 2,299 s.f.	\$_____ per unit
4	Residential Property	1,601 – 1,899 s.f.	\$_____ per unit
5	Residential Property	< 1,601 s.f.	\$_____ per unit
6	Non-Residential Property	NA	\$_____ per Acre

4. The Backup Special Tax for each Assessor's Parcel of Developed Property shall equal \$_____ per Acre in Zone A and \$_____ per Acre in Zone B after such reduction.
5. Upon execution of this certificate by CFD No. 4, CFD No. 4 shall cause an amended notice of Special Tax lien for IA No. 1 to be recorded reflecting the Assigned Special Tax and Backup Special Tax set forth herein.

Submitted

CFD ADMINISTRATOR

By: _____ Date: _____

By execution hereof, the undersigned acknowledges, on behalf of CFD No. 4, receipt of this certificate and modification of the Rate and Method of Apportionment as set forth in this certificate.

TEMESCAL VALLEY WATER DISTRICT CFD NO. 4

By: _____ Date as of: [date of issuance of Bonds]

EXHIBIT C

CERTIFICATE OF NO REDUCTION IN SPECIAL TAXES

**Temescal Valley Water District
IA No. 1 of CFD No. 4**

1. All calculations required pursuant to Section J of the Rate and Method of Apportionment have been made based upon a Price Point Study that was received by the CFD Administrator on _____.
2. Total Effective Tax Rate for all Plan Types in all Land Use Classes is less than or equal to 2.00% for property in Zone A and 1.75% for property in Zone B.
3. The Maximum Special Tax for Developed Property within IA No. 1, including the Assigned Special Taxes set forth in Sections C.1.(b) and C.1.(c) and the Backup Special Tax set forth in Section C.1.(d) of the Rate and Method of Apportionment, shall remain in effect and not be reduced.

Submitted

CFD ADMINISTRATOR

By: _____

Date as of: [date of issuance of Bonds]

APPENDIX B

Landowner: Forestar Toscana Development Company, a Delaware company

Property Description: Property located within the County of Riverside, State of California and described as: Riverside County Tract Map No. 36643, excepting therefrom lots 10, 14, 21, 22, 23 and 24

1/08
1/08

PROPOSED BOUNDARIES OF
TEMESCAL VALLEY WATER DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 4
(TERRAMOR)
COUNTY OF RIVERSIDE
STATE OF CALIFORNIA

The boundaries of Improvement Area No. 1 of
Community Facilities District No. 4 are
co-terminous with the boundaries of Riverside
County Tract Map No. 36643, excepting
therefrom lots 10, 14, 21, 22, 23 and 24.

(1) Filed in the District Office of the Temescal Valley
Water District this 27th day of SEPTEMBER, 2016.



Paul Rodriguez, Secretary
Temescal Valley Water District

Assessor Parcel Numbers
within the Boundaries of Improvement Area
No. 1 of Community Facilities District No. 4:
290-070-044 (portion)
290-080-037 (portion)

(2) I hereby certify that the within map showing the
proposed boundaries of Temescal Valley Water
District Community Facilities District No. 4
(Terramor), County of Riverside, State of
California, was approved by the Board of Directors
of the Temescal Valley Water District at a regular
meeting thereof, held on this 27th day of
SEPTEMBER, 2016, by its Resolution No.
R16-11.

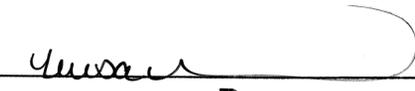


Paul Rodriguez, Secretary
Temescal Valley Water District

Assessor Parcel Numbers
within the Future Annexation Area of
Community Facilities District No. 4:
283-240-001
283-240-002
283-240-003
283-240-004
283-240-009
283-240-010
290-070-024
290-070-026
290-070-045
290-070-046

(3) Filed this 28th day of SEPTEMBER, 2016, at the
hour of 4:09 o'clock p.m. in Book 80 of
Maps of Assessment and Community Facilities
Districts at page 78 and as Instrument
No. 2016-0424010 in the office of the County
Recorder of Riverside County, State of California.

Peter Aldana
Assessor-County Clerk-Recorder of Riverside
County

By 

Deputy

Fee \$ 12.00

For a description of the lines and dimensions
of each lot and parcel, reference is hereby
made to the Assessor maps of the County of
Riverside, and to Tract Map No. 36643,
recorded on June 30th, 2016, in Book 451 of
Maps at Pages 29 through 63, as Instrument
No. 2016-0267808 in the office of the Recorder
of the County of Riverside, California.

Exempt recording requested, per
CA Government Code § 6103

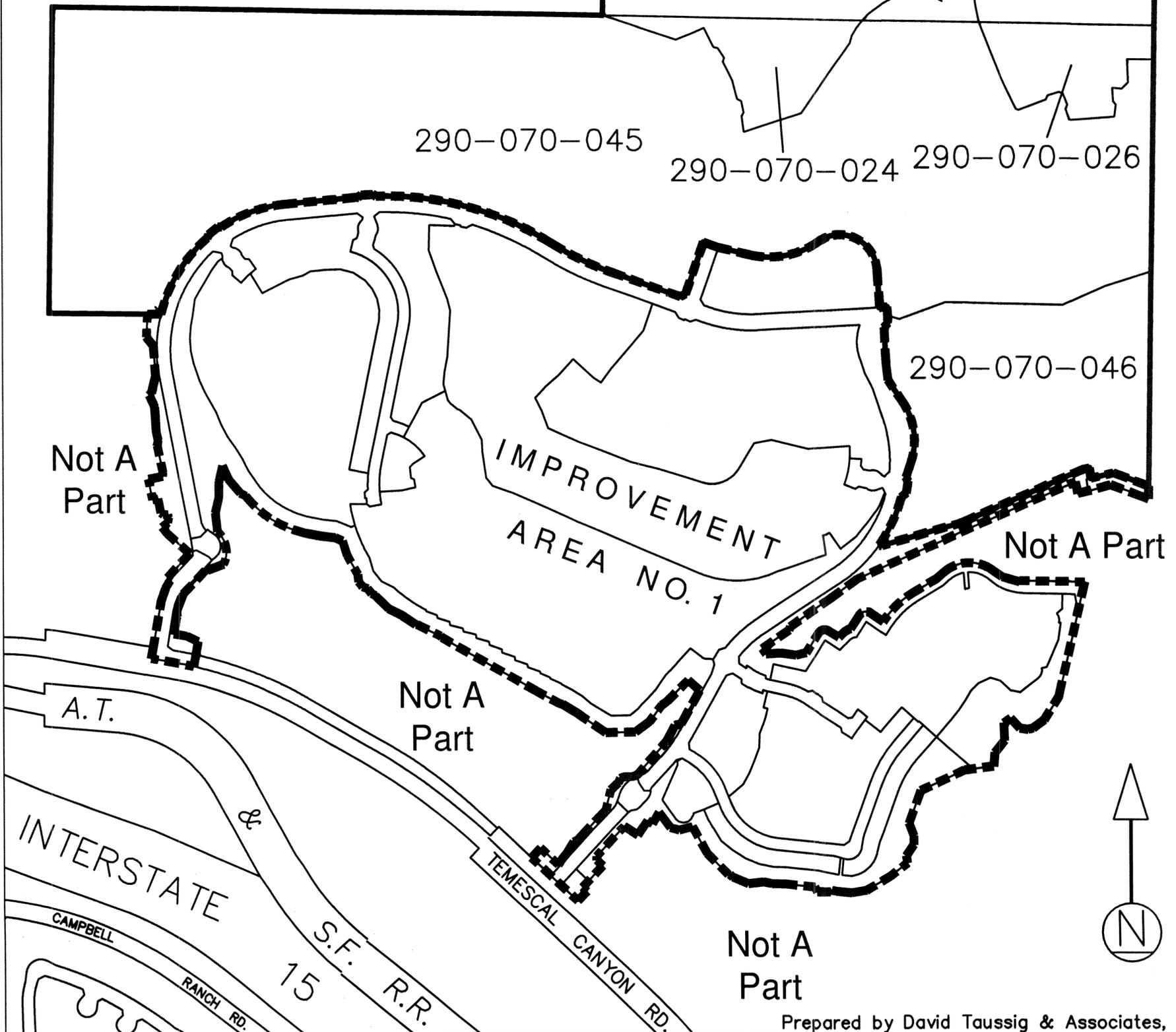
40
3
100

PROPOSED BOUNDARIES OF
TEMESCAL VALLEY WATER DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 4
(TERRAMOR)
COUNTY OF RIVERSIDE
STATE OF CALIFORNIA

LEGEND

	Boundaries of Community Facilities District No. 4 (Improvement Area No. 1)
	Boundaries of Future Annexation Area
2nn-nn0-0nn	Assessor Parcel Number

283-240-001	283-240-002
283-240-003	283-240-004
283-240-010	
283-240-009	



RESOLUTION NO. R-18-17

RESOLUTION OF THE BOARD OF DIRECTORS OF THE TEMESCAL VALLEY WATER DISTRICT, ACTING AS THE LEGISLATIVE BODY OF THE COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR) OF TEMESCAL VALLEY WATER DISTRICT, AUTHORIZING THE ISSUANCE OF IMPROVEMENT AREA NO. 1 2018 SPECIAL TAX BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$24,000,000 AND APPROVING CERTAIN DOCUMENTS AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Board of Directors (the “Board of Directors,” and sometimes referred to as the “legislative body of the District”) of the Temescal Valley Water District (the “Water District”), located in Riverside County, California, has heretofore undertaken proceedings and declared the necessity to issue bonds by the Community Facilities District No. 4 (Terramor) of Temescal Valley Water District (the “District”) pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the “Act”); and

WHEREAS, pursuant to a resolution adopted by the Board of Directors on November 22, 2016, and the Act, the Water District formed the District and designated Improvement Area No. 1 therein (“Improvement Area No. 1”); and

WHEREAS, pursuant to a resolution adopted by the District on November 22, 2016, bond propositions were submitted to the qualified electors within Improvement Area No. 1 and were approved by more than two-thirds of the votes cast at the elections held within Improvement Area No. 1 of the District on such date; and

WHEREAS, based upon the aforesaid resolutions and election, the District is authorized pursuant to the Act to issue bonds on behalf of Improvement Area No. 1 in an aggregate principal amount not to exceed \$28,000,000; and

WHEREAS, in order to effect the issuance of bonds in an aggregate principal amount not to exceed \$24,000,000 to be designated as the “Community Facilities District No. 4 (Terramor) of Temescal Valley Water District (Improvement Area No. 1) 2018 Special Tax Bonds” (the “Bonds”), the legislative body of the District desires to approve the forms, and authorize the execution and delivery, of a Bond Indenture, a Continuing Disclosure Certificate and a Bond Purchase Agreement for the Bonds; and

WHEREAS, in accordance with Government Code Section 53360.4, the legislative body of the District determines that a negotiated sale of the Bonds to Piper Jaffray & Co. (the “Underwriter”) in accordance with the terms of the Bond Purchase Agreement for the Bonds to be entered into by the District and the Underwriter (the “Bond Purchase Agreement”) will result in a lower overall cost to the District than a public sale; and

WHEREAS, the legislative body of the District determines that it is prudent in the management of its fiscal affairs to issue the Bonds; and

WHEREAS, pursuant to Section 53345.8 of the Act and the District’s Local Goals and Policies, unless the bonds are escrowed or otherwise credit enhanced, the District may sell bonds if the legislative body of the District determines prior to the award of the sale of such

bonds that the value of the real property that would be subject to the special tax to pay debt service on the bonds will be at least three (3) times the principal amount of the bonds to be sold and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act or a special assessment levied on taxable property within Improvement Area No. 1; and

WHEREAS, the legislative body of the District desires to authorize the preparation of an appraisal of the taxable real property within Improvement Area No. 1 (the "Appraisal") which shall be prepared for the District by Kitty Siino, MAI, a state-certified real estate appraiser, as defined in Section 11340 of the California Business and Professions Code, in order for the legislative body of the District to make the above determination at a subsequent meeting; and

WHEREAS, the legislative body of the District further wishes to approve the form of the Preliminary Official Statement with respect to the Bonds (the "Preliminary Official Statement"), presented at this meeting; and

WHEREAS, the Water District has adopted a Debt Management Policy (the "Policy") in compliance with Government Code section 8855(i) and the District desires to adopt the Policy such that its provisions will apply to debt issued by the District;

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE TEMESCAL VALLEY WATER DISTRICT, ACTING AS THE LEGISLATIVE BODY OF THE COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR) OF TEMESCAL VALLEY WATER DISTRICT, DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. Each of the above recitals is true and correct, as is each of the findings and determinations set forth therein, and each of said recitals, findings and determinations is adopted by the legislative body of the District.

Section 2. The issuance of the Bonds in an aggregate principal amount not to exceed \$24,000,000 is hereby authorized; and the exact principal amount to be issued shall be determined by the officer signing the Bond Purchase Agreement in accordance with Section 5 below. The Bonds shall mature on the dates and bear interest at the rates set forth in the Bond Purchase Agreement to be executed on behalf of the District in accordance with Section 5 hereof. The Bonds shall be governed by the terms and conditions of the Bond Indenture between the District and Wilmington Trust, National Association, as trustee (the "Trustee"), presented at this meeting (the "Bond Indenture"). The Bond Indenture shall be executed by one or more of the President of the Board of Directors, General Manager or Finance Manager of the Water District (collectively, the "Authorized Officers") and attested to by the Secretary of the Board of Directors, substantially in the form presented at this meeting, with such additions thereto and changes therein as the officer or officers executing the same deem necessary (a) to cure any ambiguity or defect therein, if such addition or change does not materially alter the substance or content thereof, (b) to insert the offering price(s), interest rate(s), selling compensation, principal amount per maturity, redemption dates and prices and such other related terms and provisions as limited by Section 5 hereof, or (c) to conform any provisions therein to the Bond Purchase Agreement or the Official Statement (as hereinafter defined) delivered to the purchasers of the Bonds. Approval of such changes shall be conclusively evidenced by the execution and delivery of the Bond Indenture by one or more Authorized Officers. Capitalized terms used in this Resolution which are not defined herein have the meanings ascribed to them in the Bond Indenture.

Section 3. The Bonds shall be executed on behalf of the District by the manual or facsimile signature of the President of the Board of Directors and attested with the manual or facsimile signature of the Secretary of the Board of Directors, and by the Trustee.

Section 4. The covenants set forth in the Bond Indenture above are hereby approved and shall be deemed to be covenants of the Board of Directors, in its capacity as the legislative body of the District, and shall be complied with by the District and its officers.

Section 5. The form of the Bond Purchase Agreement presented at this meeting and the sale of the Bonds pursuant thereto are hereby approved, provided that the true interest cost on the Bonds does not exceed 5.50% and the discount at which the Underwriter purchases the Bonds (exclusive of original issue discount) does not exceed 1.00% of the principal amount thereof. Any one of the Authorized Officers is hereby authorized to execute the Bond Purchase Agreement, with such additions thereto and changes therein as the officer executing it may approve, such approval to be conclusively evidenced by the execution and delivery of the Bond Purchase Agreement. Each of the President of the Board of Directors, or his designee, and the General Manager, or his designee, is authorized to determine the day on which the Bonds are to be priced in order to attempt to produce the lowest borrowing cost for the District and may reject any terms presented by the Underwriter if determined not to be in the best interest of the District.

Section 6. The form of the Continuing Disclosure Certificate presented at this meeting is hereby approved; and any one of the Authorized Officers is hereby authorized and directed to execute the Continuing Disclosure Certificate in the form hereby approved, with such additions therein and changes thereto as the Authorized Officer or Authorized Officers executing the same deem necessary to cure any defect or ambiguity therein if such change does not materially alter the substance or content thereof, with such approval to be conclusively evidenced by the execution and delivery of such Continuing Disclosure Certificate.

Section 7. In accordance with the requirements of Section 53345.8 of the Act and the policies of the District, it shall be a condition precedent to the sale and issuance of the Bonds that the legislative body of the District determine that the value of the real property in Improvement Area No. 1 subject to the special tax to pay debt service on the Bonds (the "Taxable Property") is at least three (3) times the principal amount of the Bonds and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act or a special assessment levied on property within Improvement Area No. 1 ("Secured Indebtedness"). This determination shall be based on the value of the Taxable Property as set forth in the Appraisal (the "Value"), which Appraisal shall be made in a manner consistent with the District's policies adopted pursuant to Section 53312.7 of the Act.

Section 8. The Preliminary Official Statement, in substantially the form presented to this meeting and made a part hereof, is hereby approved, with such changes, insertions and omissions therein as may be approved by any of the Authorized Officers, acting alone, and the use of the Preliminary Official Statement in connection with the offering and sale of the Bonds is hereby authorized and approved. The Authorized Officers are each hereby authorized to certify on behalf of the District that the Preliminary Official Statement is deemed final as of its date, within the meaning of Rule 15c2-12 (except for the omission of certain final pricing, rating and related information as permitted by Rule 15c2-12).

Section 9. The preparation and delivery of an Official Statement (the "Official Statement"), and its use in connection with the offering and sale of the Bonds is hereby

authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement, with such changes, insertions and omissions as may be approved by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof. Each of the Authorized Officers is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name of the District, to execute the final Official Statement and any amendment or supplement thereto.

Section 10. The General Manager, or his designee, is authorized to provide for all services necessary to effect the issuance of the Bonds, including, but not limited to, effecting the completion of the Appraisal. Such services shall include, but not be limited to, obtaining legal services, trustee services and any other services deemed appropriate by the General Manager, or his designee. The General Manager, or his designee, is authorized to pay for the cost of such services, together with other costs of issuance for the Bonds from the proceeds of the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation, is hereby appointed as Bond Counsel and Disclosure Counsel with respect to the Bonds, and any one of the Authorized Officers is hereby authorized and directed to execute an agreement for Bond and Disclosure Counsel Services with such firm.

Section 11. The Board of Directors hereby finds and declares that the issuance of the Bonds complies with the Debt Policy adopted by the Water District with respect to debt financings (the "Debt Policy"), except to the extent that it does not, in which case the Board of Directors, pursuant to the Debt Policy, hereby waives the requirements of the Debt Policy to the extent necessary to effect the issuance of the Bonds. To the extent that the Debt Policy is waived, the Board of Directors declares, based on information provided by Water District staff, that the issuance of the Bonds is in the best interests of the District and the Water District.

Section 12. The Policy is hereby adopted and its provisions will apply to all debt issued by the District unless any or all of such provisions are waived in the future, as permitted by the Policy.

Section 13. The President of the Board of Directors, General Manager, the Finance Manager and the officers and staff of the Water District and the District who are responsible for the fiscal affairs of the District are hereby authorized and directed to take any actions and to execute and deliver any and all documents as are necessary to accomplish the issuance, sale and delivery of the Bonds in accordance with the provisions of this Resolution and the fulfillment of the purposes of the Bonds as described in the Bond Indenture. Any document authorized herein to be signed by the Secretary of the Board of Directors may be signed by a duly-appointed deputy secretary or assistant secretary.

Section 14. This Resolution shall be effective upon its adoption.

Dated: November 27, 2018.

C.W. Colladay, President

I hereby certify that the foregoing is a full, true and correct copy of Resolution No. R-18-17 adopted by the Board of Directors of the Temescal Valley Water District at its meeting held on November 27, 2018.

ATTEST:

Paul Rodriguez, Board Secretary

(SEAL)

BOND INDENTURE

Between

**COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT**

and

**WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Trustee**

**§ _____
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT
(IMPROVEMENT AREA NO. 1)
2018 SPECIAL TAX BONDS**

Dated as of _____ 1, 2018

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BOND INDENTURE

THIS BOND INDENTURE (the “Indenture”) dated as of _____ 1, 2018, by and between COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR) OF TEMESCAL VALLEY WATER DISTRICT (the “District”) and WILMINGTON TRUST, NATIONAL ASSOCIATION, as Trustee (the “Trustee”), governs the terms of the Community Facilities District No. 4 (Terramor) of Temescal Valley Water District (Improvement Area No. 1) 2018 Special Tax Bonds issued in accordance herewith.

RECITALS:

WHEREAS, the Board of Directors of the Temescal Valley Water District, located in Riverside, California (hereinafter sometimes referred to as the “legislative body of the District” or the “Water District”), has heretofore undertaken proceedings and declared the necessity to issue bonds on behalf of Improvement Area No. 1 of the District pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5, of the Government Code of the State of California (the “Act”); and

WHEREAS, the legislative body of the District adopted Resolutions on November 22, 2016, and held elections within Improvement Area No. 1 on November 22, 2016 to authorize the levy of a special tax and the issuance of bonds by the District for Improvement Area No. 1, in an aggregate principal amount not to exceed \$28,000,000; and

WHEREAS, the legislative body of the District desires to finance certain public improvements (the “Facilities”) eligible for financing by the District on behalf of Improvement Area No. 1 through the issuance of bonds in an aggregate principal amount of \$ _____ designated as the “Community Facilities District No. 4 (Terramor) of Temescal Valley Water District (Improvement Area No. 1) 2018 Special Tax Bonds” (the “Bonds”), to fund a deposit to the Reserve Account, to pay a portion of the interest due on the Bonds, to fund certain Administrative Expenses of the District and to pay certain costs related to the issuance of the Bonds; and

WHEREAS, the Bonds are to be issued and sold in accordance with Resolution No. _____ of the Board of Directors of the Water District, acting in its capacity as the legislative body of the District, and with this Indenture; and

WHEREAS, the District has determined that all requirements of the Act and the applicable provisions of the policies of the Water District for the issuance of the Bonds under the Act have been satisfied; and

WHEREAS, upon their issuance, the Bonds will be the only outstanding bonds of the District issued on behalf of Improvement Area No. 1 and the District may issue Parity Bonds or Subordinated Bonds on behalf of Improvement Area No. 1 in the future in accordance herewith but shall not issue any bonds or indebtedness that have a lien, charge, pledge or encumbrance on the Net Taxes that is senior or superior to the lien, charge, pledge and encumbrance thereon for the Bonds;

NOW, THEREFORE, in order to establish the terms and conditions upon and subject to which the Bonds are to be issued, and in consideration of the premises and of the mutual covenants contained herein and of the purchase and acceptance of the Bonds by the Owners thereof, and for

other valuable consideration, the receipt of which is hereby acknowledged, the District does hereby covenant and agree, for the benefit of the Owners of the Bonds which may be issued hereunder from time to time, as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. Unless the context otherwise requires, the following terms shall have the following meanings:

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

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

“Acquisition Agreement” means that certain Acquisition/Financing Agreement relating to Improvement Area No. 1 of the District, by and among the Water District, the District and Forestar Toscana Development Company, together with any amendments thereto.

“Acquisition and Construction Fund” means the fund by that name established pursuant to Section 3.1 hereof.

“Administrative Expenses” means the following actual or reasonably estimated costs directly related to the administration of the District: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the Water District or designee thereof or both); the costs of collecting the Special Taxes (whether by the Water District or otherwise); the costs of remitting the Special Taxes to the Trustee; the compensation, expenses and disbursements of the Trustee (including its legal counsel) set forth in Section 7.1 hereof and incurred in the discharge of the duties required of it under the Indenture; the costs to the Water District, the District or any designee thereof of complying with arbitrage rebate requirements; the costs to the Water District, the District or any designee thereof of complying with disclosure requirements of the Water District, the District or obligated persons 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 of the Water District, the District or any designee thereof related to an appeal of any Special Tax levy; the costs associated with the release of funds from an escrow account; and the Water District’s annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated by the administrator for the District or advanced by the Water District or the District for any other administrative purposes of the District, including attorney’s fees and other costs related to commencing and pursuing to completion any foreclosure action to collect delinquent Special Taxes.

“Administrative Expense Fund” means the fund by that name established pursuant to Section 3.1 hereof.

“Administrative Expenses Cap” means \$45,000 for each Fiscal Year.

“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.

“Assessor’s Parcel” has the meaning ascribed to it in the RMA.

“Authorized Representative of the District” means the President of the legislative body of the District, the General Manager, the Finance Manager or any other person or persons designated by the President of the legislative body of the District, the General Manager or the Finance Manager by a written certificate signed by one of such officers of the Water District 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 shall keep or cause to be kept on which the registration and transfer of the Bonds and any Parity Bonds shall be recorded.

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

“Bonds” means the District’s (Improvement Area No. 1) 2018 Special Tax Bonds issued on _____, 2018 in the aggregate principal amount of \$_____.

“Bond Year” means the twelve-month period ending on September 1 of each year; provided, however, that the first Bond Year shall begin on the Delivery Date and end on September 1, 2019.

“Business Day” means a day which is not a Saturday or Sunday or a day of the year on which banks 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 to remain closed.

“Certificate of an Authorized Representative” means a written certificate or warrant request executed by an Authorized Representative of the District.

“Certificate of the Special Tax Consultant” means a certificate of David Taussig & Associates, Inc., or any successor entity appointed by the District, to administer the calculation and collection of the Special Taxes.

“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 Certificate” means that certain Continuing Disclosure Certificate dated _____, 2018, executed and delivered by the District, together with any amendments thereto.

“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, fees of special tax consultants and all other related fees and expenses, as set forth in a Certificate of an Authorized Representative of the District.

“Costs of Issuance Fund” means the fund by that name established pursuant to Section 3.1 hereof.

“County” means the County of Riverside.

“County Facilities Account” means the account by that name established pursuant to Section 3.1.

“County Project Costs” means the share of the Project Costs relating to facilities to be owned and operated by the County.

“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, a limited-purpose trust company organized under the laws of the State of New York, and its successors as securities depository for the Bonds, including any such successor appointed pursuant to Section 2.16 hereof.

“Developed Property” has the meaning ascribed to it in the RMA.

“District” means Community Facilities District No. 4 (Terramor) of Temescal Valley Water District established pursuant to the Act and the Resolution of Formation.

“District Project Costs” means the share of the Project Costs relating to facilities to be owned and operated by the District.

“Event of Default” shall mean the “event of default” described in Section 8.1 hereof.

“Extraordinary Administrative Expenses” means Administrative Expenses required for extraordinary District events such as foreclosure actions against delinquent taxpayers within Improvement Area No. 1 required to be prosecuted on an expedited basis pursuant to this Indenture, the approval and implementation of actions requiring Bondowner consent under this Indenture, or actual or threatened Bondowner or property owner litigation arising out of the Bonds or in connection with Improvement Area No. 1.

“Federal Securities” means any of the following: (a) non-callable direct obligations of the United States of America (“Treasuries”) or obligations for which the full faith and credit of the United States of America are unconditionally pledged for the payment of interest and principal, (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 the next following June 30.

“Fitch” means Fitch Ratings, New York, New York, or its successors, and if such organization shall for any reason no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Water District.

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

“Improvement Area No. 1” means Improvement Area No. 1 within the District.

“Indenture” means this Bond Indenture, together with any Supplemental Indenture approved pursuant to Article 6 hereof.

“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:

(1) is in fact independent and not under the domination of the District or the Water District;

(2) does not have any substantial interest, direct or indirect, in Improvement Area No. 1, the District or the Water District; and

(3) is not connected with the District or the Water District as a member, officer or employee of the District or the Water District, but who may be regularly retained to make annual or other reports to the District or the Water District.

“Information Services” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board, at www.emma.msrb.org; provided, however, in accordance with then current guidelines of the Securities and Exchange Commission, Information Services shall mean such other organizations providing information with respect to called bonds as the District may designate to the Trustee in writing.

“Interest Account” means the account by that name created and established in the Special Tax Fund pursuant to Section 3.1 hereof.

“Interest Payment Date” means each March 1 and September 1, commencing March 1, 2019; provided, however, that, if any such day is not a Business Day, interest up to the Interest Payment Date will be paid on the Business Day next succeeding such date.

“Investment Agreement” means one or more agreements for the investment of funds of the District complying with the criteria therefor as set forth in Subsection (11) of the definition of Permitted Investments herein.

“Joint Community Facilities Agreement” means that certain Joint Community Facilities Agreement (Street and Flood Control Improvements) relating to Improvement Area No. 1 of the District, by and among the Water District, the Water Conservation District, the County and Forestar Toscana Development Company, together with any amendments thereto.

“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:

(1) 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

(2) 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, New York, New York, or its successors, and if such organization shall for any reason no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Water District.

“Net Taxes” means Gross Taxes minus amounts set aside to pay Administrative Expenses.

“Nominee” shall mean the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.16 hereof.

“Ordinance” means the ordinance adopted by the legislative body of the District on November 22, 2016, providing for the levying of the Special Tax, as such document may be amended from time to time, or any other document adopted by the Board of Directors of the Water District levying the Special Taxes.

“Outstanding” or “Outstanding Bonds and Parity Bonds” means all Bonds and Parity Bonds theretofore issued by the District, except:

(1) Bonds and Parity Bonds theretofore cancelled or surrendered for cancellation in accordance with Section 10.1 hereof;

(2) Bonds and Parity Bonds for payment or redemption of which monies shall have been theretofore 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 shall have been given as provided in this Indenture or any applicable Supplemental Indenture for Parity Bonds; and

(3) Bonds and Parity Bonds which have been surrendered to the Trustee for transfer or exchange pursuant to Section 2.9 hereof or for which a replacement has been issued pursuant to Section 2.10 hereof.

“Parity Bonds” means all bonds, notes or other similar evidences of indebtedness hereafter issued, payable out of the Net Taxes and which, as provided in this Indenture or any Supplemental Indenture, rank on a parity with the Bonds, pursuant to Section 9.2 hereof.

“Participants” shall mean 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 that at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein (provided that the Trustee may rely upon investment direction of the District as a determination that such investment is a legal investment):

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:

(a) Federal Home Loan Mortgage Corporation (FHLMC)

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

(ii) Senior Debt obligations

(b) Farm Credit Banks (formerly: Federal Land Banks, Federal

(i) Intermediate Credit Banks and Banks for Cooperatives)

(ii) Consolidated system-wide bonds and notes

(c) Federal Home Loan Banks (FHL Banks)

(i) Consolidated debt obligations

(d) Federal National Mortgage Association (FNMA)

(i) Senior debt obligations

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

- (e) Financing Corporation (FICO)
 - (i) Debt obligations
- (f) Resolution Funding Corporation (REFCORP)
 - (i) Debt obligations

4. Bank deposit products, unsecured certificates of deposit (including those placed by a third party pursuant to an agreement between the District and the Trustee), trust funds, trust accounts, overnight banking deposits, interest bearing deposits, interest bearing money market accounts, time deposits, demand 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 "A-2" without regard to qualifier by a nationally recognized rating agency service.

5. Deposits (including bank deposit products) the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), or collateralized by Permitted Investments described in (1) above, 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 "A-1+" by Standard & Poor's or "Prime-1" by Moody's.

7. Money market mutual funds rated "AAm" or "AAm-G" by a nationally recognized rating agency service, or better (including those for which the Trustee or its affiliates receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise) but excluding such funds with a floating net asset value.

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 or "Prime-1" by Moody's.

(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 or "Aa" or better by Moody's.

9. Pre-refunded municipal obligations rated "AAA" by Standard & Poor's or "Aaa" by Moody's meeting the following requirements:

(a) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the paying agent 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 paying agent in trust for owners of the municipal obligations;

(e) no substitution of a United States Treasury Obligation shall 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 paying agent or escrow agent.

10. Repurchase or reverse repurchase agreements:

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 or Moody’s (including the Trustee or any of its affiliates); 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 or 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 or Moody’s, provided that:

(a) The collateral shall be securities described in clause 1(a), (b) or (c) of this subsection, and the market value of the collateral is maintained at levels equal to 104% of the amount of cash transferred by the Trustee or the District 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 or reverse repurchase agreement shall state and an opinion of counsel shall 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, this means the Holder of the Collateral is in possession);

(d) The repurchase or reverse repurchase agreement shall 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 Trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Trustee or the District.

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 or 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 or "Aa" by Moody's; provided that, by the terms of the investment agreement:

(a) interest payments are to be made to the Trustee or the District at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the Improvement 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 Trustee or the District hereby agrees 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 shall 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 Trustee and the District receives the opinion of domestic counsel (which opinion shall be addressed to Trustee and the District 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 Trustee and the District;

(e) the investment agreement shall provide that if during its term

(i) the provider's rating by either Standard & Poor's or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (y) 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 (z) repay the principal of and accrued but unpaid interest on the investment; and

(ii) 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 Trustee, 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 Trustee or District; and

(f) the investment agreement shall state and an opinion of counsel shall 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, this means the Holder of the Collateral is in possession);

(g) the investment agreement must provide that if during its term

(i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Trustee or the District, and

(ii) the provider shall 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 shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Trustee or the District.

12. The State of California Local Agency Investment Fund.

"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 Improvement Area No. 1 made in accordance with the RMA.

“Principal Account” means the account by that name created and established in the Special Tax Fund pursuant to Section 3.1 hereof.

“Principal Office of the Trustee” means the office of the Trustee located in Costa Mesa, 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.

“Proceeds Fund” means the fund by that name created and established pursuant to Section 3.1 hereof.

“Project” means those public facilities described in the Acquisition Agreement and the Joint Community Facilities Agreement which are to be acquired or constructed within and outside of Improvement Area No. 1, including all engineering, planning and design services and other incidental expenses related to such facilities.

“Project Costs” means the amounts necessary to finance the Project, to create and replenish any necessary reserve funds, to pay the initial and annual costs associated with the Bonds or any Parity Bonds, including, but not limited to, remarketing, credit enhancement, Trustee and other fees and expenses relating to the issuance of the Bonds or any Parity Bonds, and to pay any other “incidental expenses” of the District, as such term is defined in the Act.

“Project Facilities Account” means the account by that name created and established in the Acquisition and Construction Fund pursuant to Section 3.1 hereof.

“Rating Agency” means Fitch, Moody’s and Standard & Poor’s, or any one of such entities, as the context requires.

“Rebate Fund” means the fund by that name established pursuant to Section 3.1 hereof.

“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 Section 3.1 hereof.

“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” shall mean the Blanket Letter of Representations from the District to the Depository as described in Section 2.13 hereof.

“Reserve Account” means the account by that name created and established in the Special Tax Fund pursuant to Section 3.1 hereof.

“Reserve Requirement” means that amount as of any date of calculation equal to the lesser of (i) 10% of the initial principal amount of the Bonds and Parity Bonds, if any, (ii) Maximum Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any; and (iii) 125% of average Annual Debt Service on the then Outstanding Bonds and Parity Bonds. Notwithstanding the

foregoing, in no event shall the Reserve Requirement exceed \$ _____, the initial Reserve Requirement.

“Resolution of Formation” means the Resolution adopted by the Board of Directors of the Water District on November 22, 2016 pursuant to which the Water District formed the District and Improvement Area No. 1, and authorized the levy of Special Taxes therein.

“RMA” that certain Rate and Method of Apportionment for Improvement Area No. 1 approved pursuant to the Resolution of Formation as it may be amended in accordance with the Act.

“Sinking Fund Payment” means the annual payment to be deposited in the Principal Account to redeem a portion of the Term Bonds in accordance with the schedules set forth in Section 4.1(b) hereof and any annual sinking fund payment schedule to retire any Parity Bonds which are designated as Term Bonds.

“Special Tax Fund” means the fund by that name created and established pursuant to Section 3.1 hereof.

“Special Taxes” means the taxes authorized to be levied by the legislative body of the District on property within Improvement Area No. 1 in accordance with the Ordinance, the Resolution of Formation, the Act and the voter approval obtained at the November 22, 2016 elections in Improvement Area No. 1.

“Standard & Poor’s” or “S&P” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, or its successors and if such organization shall no longer perform the functions of a securities rating agency, “Standard & Poor’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Water District.

“Subordinated Bonds” means any bonds or indebtedness of the District that have a lien, charge, pledge or encumbrance on the Net Taxes junior and subordinated to the lien, charge, pledge and encumbrance thereon for the Bonds and any Parity Bonds.

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

“Surplus Fund” means the fund by that name created and established pursuant to Section 3.1 hereof.

“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.

“Taxable Property” has the meaning ascribed to it in the RMA.

“Term Bonds” means the Bonds maturing on September 1, 20__ and on September 1, 20__, and any term maturities of an issue of Parity Bonds as specified in a Supplemental Indenture.

“Treasurer” means the Treasurer-Tax Collector of the County of Riverside, or his or her written designee.

“Trustee” means Wilmington Trust, National Association, a national banking association duly organized and existing under the laws of the United States, at its principal corporate trust office in Costa Mesa, California, and its successors or assigns, or any other bank or trust company which may at any time be substituted in its place as provided in Sections 7.2 or 7.3 and any successor thereto.

“Underwriter” means Piper Jaffray & Co., with respect to the Bonds and, with respect to each issue of Parity Bonds, the institution or institutions, if any, with whom the District enters into a purchase contract for the sale of such issue.

“Undeveloped Property” has the meaning ascribed to it in the RMA.

“Water Conservation District” means the Riverside County Flood Control and Water Conservation District.

“Water Conservation District Facilities Account” means the account by that name established pursuant to Section 3.1.

“Water Conservation District Project Costs” means the share of the Project Costs relating to facilities to be owned and operated by the Water Conservation District.

“Water District” means the Temescal Valley Water District.

ARTICLE II

GENERAL AUTHORIZATION AND BOND TERMS

Section 2.1 Amount, Issuance, Purpose and Nature of Bonds and Parity Bonds.

Under and pursuant to the Act, the Bonds in the aggregate principal amount of \$ _____, together with any Parity Bonds authorized by the legislative body in accordance with Section 9.2 hereof, shall be issued for the purpose of financing the Project, paying Costs of Issuance, paying a portion of the interest due on the Bonds, funding certain Administrative Expenses of the District and funding a Reserve Account. The Bonds and any Parity Bonds shall be and are limited obligations of the District and shall be payable as to the principal thereof and interest thereon and any premiums upon the redemption thereof solely from the Net Taxes and the other amounts in the Special Tax Fund.

Section 2.2 Type and Nature of Bonds and Parity Bonds. Neither the faith and credit nor the taxing power of the Water District, the State of California, or any political subdivision thereof other than the District is pledged to the payment of the Bonds or any Parity Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds or any Parity Bonds. The Bonds and any Parity Bonds are not general or special obligations of the Water District 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, as more fully described herein. 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 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 Water District 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 Water District, 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 which are, under the terms of this Indenture and the Act, set aside for the payment of the Bonds, any Parity Bonds and interest thereon and neither the members of the legislative body of the District or the Water District Council of the Water District 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 this Indenture, the District shall not be 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 or any Parity Bonds, or for the performance of any covenants contained herein. The District may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose.

Section 2.3 Equality of Bonds and Parity Bonds and Pledge of Net Taxes. Pursuant to the Act and this Indenture, the Bonds and any Parity Bonds shall be secured by a pledge, charge, lien and encumbrance upon and equally payable from the Net Taxes and other amounts in the Special Tax Fund, 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, shall be exclusively paid from the Net Taxes and other amounts in the Special Tax Fund, which are hereby set aside for the payment of the Bonds and any Parity Bonds. Amounts in the Special Tax Fund shall 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 remain Outstanding shall not be used for any other purpose, except as permitted by this Indenture or any Supplemental Indenture. Notwithstanding any provision contained in this Indenture to the contrary, Net Taxes deposited in the Rebate Fund and the Surplus Fund shall no longer be considered to be pledged to the Bonds or any Parity Bonds, and none of the Rebate Fund, the Surplus Fund, the Acquisition and Construction Fund, the Costs of Issuance Fund or the Administrative Expense Fund shall be construed as a trust fund held for the benefit of the Owners.

Nothing in this Indenture or any Supplemental Indenture shall preclude: (i) subject to the limitations contained hereunder, the redemption prior to maturity of any Bonds or Parity Bonds subject to call and redemption and payment of said Bonds or Parity Bonds from proceeds of refunding bonds issued under the Act as the same now exists or as hereafter amended, or under any other law of the State of California; or (ii) the issuance, subject to the limitations contained herein, of Parity Bonds which shall be payable from Net Taxes.

Section 2.4 Description of Bonds; Interest Rates. The Bonds and any Parity Bonds shall be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof. The Bonds and any Parity Bonds of each issue shall be numbered as desired by the Trustee.

The Bonds shall be designated "COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR) OF TEMESCAL VALLEY WATER DISTRICT (IMPROVEMENT AREA NO. 1) 2018 SPECIAL TAX BONDS." The Bonds shall be dated as of their Delivery Date and shall mature and be payable on September 1 in the years and in the aggregate principal amounts and shall be

subject to and shall bear interest at the rates set forth in the table below payable on March 1, 2019 and each Interest Payment Date thereafter:

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
	\$	%

Interest shall be payable on each Bond and Parity Bond from the date established in accordance with Section 2.5 below on each Interest Payment Date thereafter until the principal sum of that 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 shall 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 this Indenture, such Bonds and Parity Bonds shall then cease to bear interest. Interest due on the Bonds and Parity Bonds shall be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Section 2.5 Place and Form of Payment. The Bonds and Parity Bonds shall be payable both as to principal and interest, and as to any premiums upon the redemption thereof, in lawful money of the United States of America. The principal of the Bonds and Parity Bonds and any premiums due upon the redemption thereof shall be payable upon presentation and surrender thereof at the Principal Office of the Trustee, or at the designated office of any successor Trustee. Interest on any Bond or Parity Bond shall be payable from the Interest Payment Date next preceding the date of authentication of that Bond or Parity Bond, unless (i) such date of authentication is an Interest Payment Date in which event interest shall 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 shall 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 occurring after the issuance of such Bond or Parity Bond, in which event interest shall be payable from the dated date of such Bond or Parity Bond, as applicable; provided, however, that if at the time of authentication of such Bond or Parity Bond, interest is in default, interest on that Bond or Parity Bond shall 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 that Bond or Parity Bond, interest on that Bond or Parity Bond shall be payable from its dated date. Interest on any Bond or Parity Bond shall be paid to the person whose name shall appear in the Bond Register as the Owner of such Bond or Parity Bond as of the close of business on the Record Date. Such interest shall be paid by check of the Trustee mailed by first class mail, postage prepaid, to such Bondowner at his or her address as it appears on the Bond Register. In addition, upon a request in writing received by the Trustee on or before the applicable Record Date from an Owner of \$1,000,000 or more in principal amount of the Bonds or of any issue of Parity Bonds, payment shall be made on the Interest Payment Date by wire transfer in immediately available funds to an account designated by such Owner.

Section 2.6 Form of Bonds and Parity Bonds. The definitive Bonds may be printed from steel engraved or lithographic plates or may be typewritten. The Bonds and the certificate of authentication shall be substantially in the form attached hereto as Exhibit A, which form is hereby approved and adopted as the form of such Bonds and of the certificate of authentication. Each issue of Parity Bonds and the certificate of authentication therefor shall be in the form provided in the Supplemental Indenture for such issue of Parity Bonds.

Until definitive Bonds or Parity Bonds, as applicable, shall be prepared, the District may cause to be executed and delivered in lieu of such definitive Bonds or Parity Bonds temporary bonds in typed, printed, lithographed or engraved form and in fully registered form, subject to the same provisions, limitations and conditions as are applicable in the case of definitive Bonds or Parity Bonds, except that they may be in any denominations authorized by the District. Until exchanged for definitive Bonds or Parity Bonds, as applicable, any temporary bond shall be entitled and subject to the same benefits and provisions of this Indenture as definitive Bonds and Parity Bonds. If the District issues temporary Bonds or Parity Bonds, it shall execute and furnish definitive Bonds or Parity Bonds, as applicable, without unnecessary delay and thereupon any temporary Bond or Parity Bond may be surrendered to the Trustee at its office, without expense to the Owner, in exchange for a definitive Bond or Parity Bond of the same issue, maturity, interest rate and principal amount in any authorized denomination. All temporary Bonds or Parity Bonds so surrendered shall be cancelled by the Trustee and shall not be reissued.

Section 2.7 Execution and Authentication. The Bonds and Parity Bonds shall be signed on behalf of the District by the manual or facsimile signature of the President of the Board of Directors of the Water District and countersigned by the manual or facsimile signature of the Secretary of the Board of Directors of the Water District, or any duly appointed deputy Secretary, in their capacity as officers of the District. In case any one or more of the officers who shall have signed any of the Bonds or Parity Bonds shall cease to be such officer before the Bonds or Parity Bonds so signed have been authenticated and delivered by the Trustee (including new Bonds or Parity Bonds delivered pursuant to the provisions hereof with reference to the transfer and exchange of Bonds or Parity Bonds or to lost, stolen, destroyed or mutilated Bonds or Parity Bonds), such Bonds and Parity Bonds shall nevertheless be valid and may be authenticated and delivered as herein provided, and may be issued as if the person who signed such Bonds or Parity Bonds had not ceased to hold such office.

Only the Bonds as shall bear thereon such certificate of authentication in the form set forth in Exhibit A attached hereto shall be entitled to any right or benefit under this Indenture, and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Trustee.

Section 2.8 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 shall upon reasonable prior notice be open to inspection by the District during all regular business hours, and, subject to the limitations set forth in Section 2.9 below, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be transferred on said Bond Register, Bonds and any Parity Bonds as herein provided.

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 of that Bond or Parity Bond for any and all purposes, and the District and the Trustee shall 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 shall be 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.

Section 2.9 Registration of Exchange or Transfer. Subject to the limitations set forth in the following paragraph, the registration of any Bond or Parity Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond or Parity Bond for cancellation at the office of the Trustee, accompanied by delivery of written instrument of transfer in a form acceptable to the Trustee and duly executed by the Bondowner or his or her duly authorized attorney.

Bonds or Parity Bonds may be exchanged at the office of the Trustee for a like aggregate principal amount of Bonds or Parity Bonds for other authorized denominations of the same maturity and issue. The Trustee shall not collect from the Owner any charge for any new Bond or Parity Bond issued upon any exchange or transfer, but shall require the Bondowner 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 or Parity Bonds shall be surrendered for registration of transfer or exchange, the District shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds or a new Parity Bond or Parity Bonds, as applicable, of the same issue and maturity, for a like aggregate principal amount; provided that the Trustee shall not be required to register transfers or make exchanges of (i) Bonds or Parity Bonds for a period of 15 days next preceding any selection of the Bonds or Parity Bonds to be redeemed; or (ii) any Bonds or Parity Bonds chosen for redemption.

Section 2.10 Mutilated, Lost, Destroyed or Stolen Bonds or Parity Bonds. If any Bond or Parity Bond shall become mutilated, the District shall execute, and the Trustee shall 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 shall be cancelled by the Trustee pursuant to Section 10.1 hereof. If any Bond or Parity Bond shall be 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 shall be given, the District shall execute and the Trustee shall authenticate and deliver, a

new Bond or Parity Bond, as applicable, of like tenor, maturity and issue, numbered and dated as the Trustee shall 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, shall be equally and proportionately entitled to the benefits hereof with all other Bonds and Parity Bonds issued hereunder. The Trustee shall 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 hereunder or for the purpose of determining any percentage of Bonds or Parity Bonds Outstanding hereunder, but both the original and replacement Bond or Parity Bond shall be treated as one and the same. Notwithstanding any other provision of this Section, 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.

Section 2.11 Validity of Bonds and Parity Bonds. The validity of the authorization and issuance of the Bonds and any Parity Bonds shall not be affected in any way by any defect in any proceedings taken by the District 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 shall be conclusive evidence of their validity and of the regularity of their issuance.

Section 2.12 Book-Entry System. The Bonds shall be initially delivered in the form of a separate single fully registered Bond (which may be typewritten) for each of the maturities of the Bonds. Upon initial delivery, the ownership of each such Bond shall be registered in the registration books kept by the Trustee in the name of the Nominee as nominee of the Depository. Except as provided in Section 2.14 hereof, all of the Outstanding Bonds shall be registered in the registration books kept by the Trustee in the name of the Nominee. At the election of the District, any Parity Bonds may also be issued as book-entry bonds registered in the name of the Nominee as provided herein, in which case the references in Sections 2.12 through 2.15 to “Bonds” shall be applicable to such Parity Bonds.

With respect to Bonds registered in the registration books kept by the Trustee in the name of the Nominee, the District and the Trustee shall have no responsibility or obligation to any such Participant or to any Person on behalf of which such a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the District and the Trustee shall 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 the Bonds, (ii) the delivery to any Participant or any other Person, other than an Owner as shown in the registration books kept by the Trustee, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in the Bonds to be redeemed in the event the Bonds are redeemed in part, or (iv) the payment to any Participant or any other Person, other than an Owner as shown in the registration books kept by the Trustee, of any amount with respect to principal of, premium, if any, or interest due with respect to the Bonds. The District and the Trustee may treat and consider the Person in whose name each Bond is registered in the registration books kept by the Trustee as the holder and absolute owner of such Bond for the purpose of payment of the principal of, 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 shall pay all principal of, premium, if any, and interest due on the Bonds only to or upon the order of the respective Owner, as shown in the registration books kept by the Trustee, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to satisfy and

discharge fully the District's obligations with respect to payment of the principal, premium, if any, and interest due on the Bonds to the extent of the sum or sums so paid. No Person other than an Owner, as shown in the registration books kept by the Trustee, shall receive a Bond evidencing the obligation of the District to make payments of principal, premium, if any, and interest pursuant to this Indenture. Upon delivery by the Depository to the Trustee and the District 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 herein with respect to Record Dates, the word Nominee in this Indenture shall refer to such new nominee of the Depository.

Section 2.13 Representation Letter. In order to qualify the Bonds and any Parity Bonds which the District elects to register in the name of the Nominee for the Depository's book-entry system, an authorized representative of the District is hereby authorized to execute from time to time and deliver to such Depository the Representation Letter. The execution and delivery of the Representation Letter shall not in any way limit the provisions of Section 2.12 or in any other way impose upon the District or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners, as shown on the registration books kept by the Trustee. The Trustee agrees to take all action necessary to continuously comply with all representations made with respect to the Trustee in the Representation Letter. In addition to the execution and delivery of the Representation Letter, each Authorized Representative of the District is hereby authorized to take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

Section 2.14 Transfers Outside Book-Entry System. In the event (i) the Depository determines not to continue to act as securities depository for the Bonds, or (ii) the District determines that the Depository shall no longer so act, then the District will discontinue the book-entry system with the Depository. If the District fails to identify another qualified securities depository to replace the Depository then the Bonds so designated shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of the Nominee, but shall be registered in whatever name or names Persons transferring or exchanging Bonds shall designate, in accordance with the provisions of Section 2.9 hereof.

Section 2.15 Payments to the Nominee. Notwithstanding any other provisions of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal, premium, if any, and interest due with respect to such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

Section 2.16 Initial Depository and Nominee. The initial Depository under this Article II shall be The Depository Trust Company, New York, New York. The initial Nominee shall be Cede & Co., as Nominee of The Depository Trust Company, New York, New York.

ARTICLE III

CREATION OF FUNDS AND APPLICATION OF PROCEEDS

Section 3.1 Creation of Funds; Application of Proceeds.

(a) There is hereby created and established and shall be maintained by the Trustee the following funds and accounts in accordance with the terms of this Article:

(1) The Community Facilities District No. 4 of Temescal Valley Water District Improvement Area No. 1 Proceeds Fund (the “Proceeds Fund”).

(2) The Community Facilities District No. 4 of Temescal Valley Water District Improvement Area No. 1 Special Tax Fund (the “Special Tax Fund”) (in which there shall be established and created an Interest Account, a Principal Account, a Redemption Account and a Reserve Account).

(3) The Community Facilities District No. 4 of Temescal Valley Water District Improvement Area No. 1 Rebate Fund (the “Rebate Fund”).

(4) The Community Facilities District No. 4 of Temescal Valley Water District Improvement Area No. 1 Acquisition and Construction Fund (the “Acquisition and Construction Fund”) (in which there shall be established a Project Facilities Account, a County Facilities Account and a Conservation District Facilities Account).

(5) The Community Facilities District No. 4 of Temescal Valley Water District Improvement Area No. 1 Costs of Issuance Fund (the “Costs of Issuance Fund”).

(6) The Community Facilities District No. 4 of Temescal Valley Water District Improvement Area No. 1 Surplus Fund (the “Surplus Fund”).

(7) The Community Facilities District No. 4 of Temescal Valley Water District Improvement Area No. 1 Administrative Expense Fund (the “Administrative Expense Fund”).

The amounts on deposit in the foregoing funds, accounts and subaccounts shall be held by the Trustee and the Trustee shall invest and disburse the amounts in such funds, accounts and subaccounts in accordance with the provisions of this Article 3 and shall disburse investment earnings thereon in accordance with the provisions of Sections 3.11 hereof.

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.

(b) The proceeds of the sale of the Bonds in the amount of \$_____ shall be received by the Trustee on behalf of the District and deposited in the Proceeds Fund, which proceeds shall be deposited and transferred as follows:

(1) \$_____ shall be deposited to the Costs of Issuance Fund to pay the Costs of Issuance of the Bonds;

(2) \$_____ shall be deposited to the Acquisition and Construction Fund to pay Project Costs, with \$_____ to be deposited to the Project Facilities Account, \$_____ to be deposited to the County Facilities Account and \$_____ to the Conservation District Facilities Account;

(3) \$_____ shall be deposited to the Interest Account of the Special Tax Fund to pay a portion of the interest due on the Bonds through September 1, 2019;

(4) \$_____ shall be deposited to the Administrative Expense Fund to fund certain Administrative Expenses of the District; and

(5) \$_____ shall be deposited to the Reserve Account of the Special Tax Fund to fund the Reserve Requirement.

Upon making the deposits and transfers set forth in this subsection (c), the Trustee shall close the Proceeds Fund. The Trustee may, in its discretion, establish a temporary fund or account in its books and records to facilitate such transfers.

Section 3.2 Deposits to and Disbursements from Special Tax Fund.

(a) Except for Prepayments which shall be deposited to the Redemption Account as specified in a Certificate of an Authorized Representative, the Trustee shall, 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 shall transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the following Sections, in the following order of priority, to:

- (1) the Administrative Expense Fund;
- (2) the Interest Account of the Special Tax Fund;
- (3) the Principal Account of the Special Tax Fund;
- (4) the 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) At 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.

Section 3.3 Administrative Expense Fund. The Trustee shall transfer from the Special Tax Fund and deposit in the Administrative Expense Fund from time to time amounts necessary to make timely payment of Administrative Expenses as set forth in a Certificate of an Authorized Representative; provided, however, that, the total amount transferred in a Fiscal Year, commencing with the 2018-19 Fiscal Year, shall not exceed the Administrative Expenses Cap (plus Extraordinary Administrative Expenses in the event there are Extraordinary Administrative Expenses) until such time as there has been deposited to the Interest Account and the Principal Account an amount, together with any amounts already on deposit therein, that is sufficient to pay the interest and principal on all Bonds and Parity Bonds, including Sinking Fund Payments, due in such Fiscal Year and to restore the Reserve Account to the Reserve Requirement. Moneys in the Administrative Expense Fund may be invested in any Permitted Investments as directed in writing by an Authorized

Representative of the District and shall be disbursed as directed in a Certificate of an Authorized Representative.

Section 3.4 Interest Account and Principal Account of the Special Tax Fund. The principal of and interest due on the Bonds and any Parity Bonds until maturity, other than principal due upon optional or extraordinary redemption, shall 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 and interest on the Bonds and any Parity Bonds will be made when due, after making the transfer required by Section 3.3, at least five Business Days prior to each March 1 and September 1, the Trustee shall make the following transfers from the Special Tax Fund first to the Interest Account and then to the Principal Account; provided, however, that, if amounts in the Special Tax Fund (exclusive of the Reserve Account) are inadequate to make the foregoing transfers, then any deficiency shall be made up by transfers from the Reserve Account:

(a) To the Interest Account, an amount such that the balance in the Interest Account five Business Days prior to each Interest Payment Date shall be 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 which remains unpaid. Moneys in the Interest Account shall 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 five Business Days prior to September 1 of each year, commencing September 1, 2019, shall equal the principal payment due on the Bonds and any Parity Bonds on such September 1, whether at maturity or by Sinking Fund Payment, and any principal payment due on a previous September 1 which remains unpaid. Moneys in the Principal Account shall be used for the payment of the principal of such Bonds and any Parity Bonds as the same become due at maturity or by Sinking Fund Payment.

Section 3.5 Redemption Account of the Special Tax Fund.

(a) After making the transfer to the Administrative Expense Fund, the Interest Account and the Principal Account of the Special Tax Fund pursuant to Sections 3.3 and 3.4 above, and in accordance with the District's election to call Bonds for optional redemption as set forth in Section 4.1(a) hereof, or to call Parity Bonds for optional redemption as set forth in any Supplemental Indenture for Parity Bonds, the Trustee shall establish the Redemption Account and 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 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.

(b) Prepayments deposited to the Redemption Account, along with any amounts that an Authorized Officer of the District directs to be transferred from the Reserve Account to the Redemption Account in connection with any Prepayments, shall be applied on the redemption date established pursuant to Section 4.1(c) hereof 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; provided that amounts shall be transferred from the Reserve Account only if immediately following such redemption the amount in the Reserve Account will meet the Reserve Requirement.

(c) Moneys set aside in the Redemption Account shall be used solely for the purpose of redeeming Bonds and Parity Bonds and shall 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 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 hereinafter provided. 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 Section 4.1(a) or 4.1(c) hereof, as applicable, 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.

Section 3.6 Reserve Account of the Special Tax Fund. There shall be maintained in the Reserve Account of the Special Tax Fund an amount equal to the Reserve Requirement. The amounts in the Reserve Account shall be applied as follows:

(a) Moneys in the Reserve Account shall 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 therefor and for the purpose of making any required transfer to the Rebate Fund pursuant to Section 3.7 hereof upon written direction from the District. If the amounts in the Interest Account or the Principal Account of the Special Tax Fund are insufficient to pay the principal of, including Sinking Fund Payments, or interest on the Bonds or any Parity Bonds when due, or amounts in the Special Tax Fund are insufficient to make transfers to the Rebate Fund when required, the Trustee shall withdraw from the Reserve Account for deposit in the Interest Account or the Principal Account of the Special Tax Fund or the Rebate Fund, as applicable, moneys necessary for such purposes.

(b) Whenever moneys are withdrawn from the Reserve Account, after making the required transfers referred to in Sections 3.3, 3.4 and 3.5 above, the Trustee shall transfer to the Reserve Account from available moneys in the Special Tax Fund, or from any other legally available funds which 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 shall 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 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, subject to any limitations in the Act, shall include the amount necessary 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 and the limitations of the Act.

(c) In connection with a redemption of Bonds pursuant to Section 4.1(a) or (c) or Parity Bonds in accordance with any Supplemental Indenture, or a partial defeasance of Bonds or Parity

Bonds in accordance with Section 9.1 hereof, 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 shall 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 pursuant to the Indenture to partially defease Bonds, and the Trustee shall make such transfer on the applicable redemption or defeasance date, subject to the limitation in the preceding sentence.

(d) 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 not transferred in accordance with the preceding provisions of this section shall be withdrawn from the Reserve Account on the Business Day before each March 1 and September 1 and shall be transferred to the Interest Account of the Special Tax Fund.

Section 3.7 Rebate Fund.

(a) The Trustee shall establish and maintain, when needed, a fund separate from any other fund established and maintained hereunder designated as the Rebate Fund. The District shall cause to be deposited in the Rebate Fund such amounts as required under the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, for payment to the United States Treasury. All amounts on deposit in the Rebate Fund shall be governed by this Section 3.7 and the Tax Certificate.

Without limiting the generality of the foregoing, the District agrees that there shall be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final treasury regulations as may be applicable to the Bonds from time to time, which the District covenants to pay or cause to be paid to the United States at the times and in the amounts determined under the Tax Certificate. The Trustee agrees to comply with all instructions given to it by the District in accordance with this covenant. The Trustee shall conclusively be deemed to have complied with the provisions of this Section 3.7 and the Tax Certificate if it follows the instructions of the District and shall not be required to take any actions hereunder in the absence of instructions from the District.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund with respect to the Bonds and each series of Parity Bonds after payment in full of such issue and after making the payments required to comply with this Section 3.7 and the applicable Tax Certificate for such issue 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 this Section or this Indenture to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance and final payment of the Bonds and any Parity Bonds.

(d) Amendment Without Consent of Owners. This Section 3.7 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 Parity Bonds issued on a tax-exempt basis. Notwithstanding any provision of this Section, if the District shall provide to the Trustee an opinion of a nationally recognized bond or tax counsel that any specified action required under this Section 3.7 is no longer required or that some further or different action is required to maintain the tax-exempt status of interest on the Bonds and any Parity Bonds issued on a tax-exempt basis, the Trustee and the District may conclusively rely on such opinion in complying with the requirements of this Section, and the covenants hereunder shall be deemed to be modified to that extent.

Section 3.8 Surplus Fund. After making the transfers required by Sections 3.3, 3.4, 3.5, 3.6 and 3.7 hereof, as soon as practicable after each September 1, and in any event prior to each September 15, the Trustee shall transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, unless on or prior to such date, it has received a Certificate of an Authorized Representative directing (i) 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 Section 5.2(b) hereof, or (ii) that certain amounts be transferred to the Acquisition and Construction Fund because such amounts were included in the levy of Special Taxes for the previous Fiscal Year to pay for the acquisition or construction of the Project; provided, however, that, if a transfer is made to the Acquisition and Construction Fund and unexpended proceeds of the Bonds or an issue of Parity Bonds remain in the Acquisition and Construction Fund, the Trustee shall establish a Subaccount of the Project Facilities Account for amounts transferred from the Surplus Fund. Moneys deposited in the Surplus Fund will be transferred by the Trustee at the direction of an Authorized Representative of the District (i) 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; (ii) to the Reserve Account in order to replenish the Reserve Account to the Reserve Requirement; (iii) to the Administrative Expense Fund to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expense Fund are insufficient to pay Administrative Expenses; (iv) to the Acquisition and Construction Fund to pay Project Costs; or (v) 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 shall 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.

Section 3.9 Costs of Issuance Fund.

(a) The moneys in the Costs of Issuance Fund shall be disbursed by the Trustee pursuant to a Certificate of an Authorized Representative of the District to pay Costs of Issuance, substantially in the form attached as Exhibit B, and all payments shall be made by check or wire transfer in accordance with the payment instructions set forth in such Certificate, and the Trustee may rely on such payment instructions with no duty to investigate or inquire as to their authenticity or the authority under which they were given.

(b) Upon the receipt of a Certificate of an Authorized Representative of the District stating that all or a specified portion of the amount remaining in the Costs of Issuance Fund is no longer needed to pay Costs of Issuance, the Trustee shall transfer all or such specified portion, as applicable, of the moneys remaining on deposit in the Costs of Issuance Fund to the Project Facilities Account of the Acquisition and Construction Fund. On the date which is six months after the date of issuance of each series of Bonds and Parity Bonds, all amounts remaining in the Costs of Issuance Fund shall be transferred to the Project Facilities Account of the Acquisition and Construction Fund and the Costs of Issuance Fund shall be closed.

Section 3.10 Acquisition and Construction Fund.

(a) The Trustee shall hold the moneys in the County Facilities Account, the Conservation District Facilities Account and the Project Facilities Account and apply such moneys to pay County Project Costs, Conservation District Project Costs and District Project Costs, respectively. Amounts for Project Costs shall be disbursed by the Trustee on behalf of the District from the Acquisition and Construction Fund or the accounts therein as specified in a Request for Disbursement of Project Costs, substantially in the form of Exhibit C attached hereto, which must be submitted by an Authorized Representative of the District to the Trustee in connection with each requested disbursement. Amounts in the County Facilities Account shall go to pay County Project Costs, amounts in the Conservation District Facilities Account shall go to pay Conservation District Project Costs and amounts in the Project Facilities Account shall go to pay District Project Costs.

(b) Upon receipt of a Certificate of an Authorized Representative of the District stating that all or a specified portion of the amount remaining in the Acquisition and Construction Fund or in any of the accounts therein is no longer needed to pay Project Costs, the Trustee shall transfer all or such specified portion, as applicable, of the moneys remaining on deposit in the Acquisition and Construction Fund and the accounts therein to the Principal Account or Redemption Account of the Special Tax Fund or to the Surplus Fund, as directed in the Certificate, provided that in connection with any direction to transfer amounts to the Surplus Fund there shall have been delivered to the Trustee with such Certificate an opinion of Bond Counsel to the effect that such transfer to the Surplus Fund 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.

Section 3.11 Investments. Moneys held in any of the Funds, Accounts and Subaccounts under this Indenture shall be invested at the written direction of the District in accordance with the limitations set forth below only in Permitted Investments which shall be deemed at all times to be a part of such Funds, Accounts and Subaccounts. Any loss resulting from such Permitted Investments shall 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 shall be applied as follows:

(i) investment earnings on all amounts deposited in the Costs of Issuance Fund, the Acquisition and Construction 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) shall be deposited in those respective Funds and Accounts, and (ii) investment earnings on all amounts deposited in the Reserve Account shall be deposited therein to be applied as set forth in Section 3.6. Moneys in the Funds, Accounts and Subaccounts held under this Indenture shall be invested by the Trustee as directed in writing by the District, from time to time, in Permitted Investments subject to the following restrictions:

(a) Moneys in the Costs of Issuance Fund and the Acquisition and Construction Fund shall be invested in Permitted Investments which will by their terms mature, or in the case of an Investment Agreement are available without penalty, as close as practicable to the date the District estimates the moneys represented by the particular investment will be needed for withdrawal from the Costs of Issuance Fund and the Acquisition and Construction Fund.

(b) Moneys in the Interest Account, the Principal Account and the Redemption Account of the Special Tax Fund shall 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.

(c) Moneys in the Reserve Account of the Special Tax Fund may be invested only in Permitted Investments; provided that no such Permitted Investment of amounts in the Reserve Account shall mature later than the earlier of the final maturity date of the Bonds or any Parity Bonds.

(d) Moneys in the Rebate Fund shall be invested only in Permitted Investments of the type described in clause (1) 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 Section 3.7 hereof or in Permitted Investments of the type described in clause (10) of the definition thereof as the District shall designate on forms provided by the Trustee.

(e) In the absence of written investment directions from the District, the Trustee shall invest solely in Permitted Investments specified in clause (7) of the definition thereof; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a written direction specifying a specific money market fund and, if no such written direction is so received, the Trustee shall hold such moneys uninvested.

The Trustee shall sell, or present for redemption, any Permitted Investment 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 shall be valued at their cost, except that amounts in the Reserve Account shall be valued at the market value thereof at least annually within 5 Business Days prior to each September 1. In making any valuations hereunder, 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 herein to the contrary,

the Trustee shall not be responsible for any loss from investments, sales or transfers undertaken in accordance with the provisions of this Indenture.

The Trustee may act as principal or agent in the making or disposing of any investment and shall be entitled to its customary fee for making such investment. The Trustee may sell at the best market price obtainable, or present for redemption, any Permitted Investment so purchased whenever it shall be 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 Section 7.4, the Trustee shall not be liable or responsible for any loss resulting from such investment. For investment purposes, the Trustee may commingle the funds and accounts established hereunder, but shall account for each separately.

The Trustee shall furnish the District periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the District. Upon the District's election, such statements will be delivered via the Trustee's online service and, upon electing such service, paper statements will be provided only upon request. The District acknowledges that, to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The District further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost, and other trade confirmations may be obtained from the applicable broker.

ARTICLE IV

REDEMPTION OF BONDS AND PARITY BONDS

Section 4.1 Redemption of Bonds.

(a) Optional Redemption. The Bonds may be redeemed, at the option of the District from any source of funds, other than Special Tax Prepayments, on any date on or after September 1, 2025, in whole, or in part by lot, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date of redemption, at the following redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed):

<i>Redemption Dates</i>	<i>Redemption Price</i>
September 1, 2025 through August 31, 2026	103%
September 1, 2026 through August 31, 2027	102
September 1, 2027 through August 31, 2028	101
September 1, 2028 and any date thereafter	100

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

(b) Mandatory Sinking Fund Redemption. The Term Bonds maturing on September 1, 20__ shall be called before maturity and redeemed, from the Sinking Fund Payments that have been

deposited into the Principal Account, on September 1, 20__, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The Term Bonds so called for redemption shall be selected by the Trustee by lot and shall be redeemed at a redemption price for each redeemed Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

BONDS MATURING SEPTEMBER 1, 20__

<i>Redemption Date (September 1)</i>	<i>Principal Amount</i>
--	-------------------------

(maturity)

The Term Bonds maturing on September 1, 20__ shall be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Principal Account, on September 1, 20__, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The Term Bonds so called for redemption shall be selected by the Trustee by lot and shall be redeemed at a redemption price for each redeemed Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

BONDS MATURING SEPTEMBER 1, 20__

<i>Redemption Date (September 1)</i>	<i>Principal Amount</i>
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(maturity)

If the District purchases Term Bonds during the Fiscal Year immediately preceding one of the sinking fund redemption dates specified above, the District is required to notify the Trustee at least 45 days prior to the redemption date as to the principal amount purchased, and the amount purchased will be credited at the time of purchase to the next Sinking Fund Payment for the Term Bond so purchased, to the extent of the full principal amount of the purchase. All Bonds purchased pursuant to this subsection shall be cancelled pursuant to Section 10.1 hereof.

In the event of a partial optional redemption or extraordinary mandatory redemption of the Term Bonds, each of the remaining Sinking Fund Payments for such Term Bonds will be reduced, as nearly as practicable, on a pro rata basis in the amount of \$5,000 or any integral multiple thereof as directed by an Authorized Representative of the District.

(c) Extraordinary Redemption. The Bonds are subject to extraordinary redemption as a whole or in part, on any Interest Payment Date, and shall be redeemed by the Trustee, from Prepayments deposited to the Redemption Account pursuant to Section 3.2, plus amounts transferred

from the Reserve Account pursuant to Section 3.6(c), 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 through March 1, 2026	103%
September 1, 2026 and March 1, 2027	102
September 1, 2027 and March 1, 2028	101
September 1, 2028 and any Interest Payment Date thereafter	100

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

(d) The redemption provisions for Parity Bonds shall be set forth in a Supplemental Indenture.

Section 4.2 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 shall be in the principal amount of \$5,000 or an integral multiple thereof. The procedure for the selection of Parity Bonds for redemption may be modified as set forth in the Supplemental Indenture for such Parity Bonds. So long as the Bonds are registered in the name of the Nominee, such Bonds or any portion thereof shall be selected by the Depository in accordance with its operating procedures.

Section 4.3 Notice of Redemption. When Bonds or Parity Bonds are due for redemption under Section 4.1 above or under another redemption provision set forth in a Supplemental Indenture relating to any Parity Bonds and the Trustee has received the required notice from the District, the Trustee shall give notice, in the name of the District, of the redemption of such Bonds or Parity Bonds; provided, however, that, with respect to a redemption to be made from Prepayments pursuant to Section 4.1(c), notice of redemption shall not be given unless there is on deposit with the Trustee sufficient money to pay the redemption price of the Bonds or Parity Bonds to be redeemed. With respect to any notice of optional redemption of the Bonds and any Parity Bonds, such notice may state that such redemption shall 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 the Bonds and any Parity Bonds to be redeemed and upon other conditions set forth therein and that, if such money shall not have been so received and such other conditions shall not have been satisfied, said notice shall be of no force and effect and the Trustee shall not be required to redeem such Bonds or Parity Bonds. If any condition stated in the redemption notice for an optional

redemption shall not have been satisfied on or prior to the redemption date: (i) the redemption notice shall be of no force and effect, (ii) the District shall not be required to redeem such Bonds or Parity Bonds, (iii) the redemption shall not be made, and (iv) the Trustee shall within a reasonable time thereafter give notice to the persons in the manner in which the conditional redemption notice was given that such condition or conditions were not met and that the redemption was canceled.

Such notice of redemption shall (i) specify the CUSIP numbers (if any), the bond numbers and the maturity date or dates of the Bonds or Parity Bonds selected for redemption, except that where all of the Bonds or all of an issue of Parity Bonds are subject to redemption, or all the Bonds or Parity Bonds of one maturity, are to be redeemed, the bond numbers of such issue need not be specified; (ii) state the date fixed for redemption and surrender of the Bonds or Parity Bonds to be redeemed; (iii) state the redemption price; (iv) state the place or places where the Bonds or Parity Bonds are to be redeemed; (v) in the case of Bonds or Parity Bonds to be redeemed only in part, state the portion of such Bond or Parity Bond which is to be redeemed; (vi) state the date of issue of the Bonds or Parity Bonds as originally issued; (vii) state the rate of interest borne by each Bond or Parity Bond being redeemed; and (viii) state any other descriptive information needed to identify accurately the Bonds or Parity Bonds being redeemed as shall be specified by the Trustee. Such notice shall further state that on the date fixed for redemption, there shall become due and payable on each Bond, Parity 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 shall cease to accrue and be payable.

At least 30 days but no more than 45 days prior to the redemption date, the Trustee shall 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, and to the original purchaser of the Bonds or Parity Bonds, as applicable; provided, however, so long as the Bonds or Parity Bonds are registered in the name of the Nominee, notice shall be given in such manner as complies with the requirements of the Depository. So long as notice has been provided as set forth above, the actual receipt by the Owner of any Bond or Parity Bond or the original purchaser of any Bond or Parity Bond of notice of such redemption shall not be a condition precedent to redemption, and neither the failure to receive nor any defect in such notice shall affect the validity of the proceedings for the redemption of such Bonds or Parity Bonds, or the cessation of interest on the redemption date. A certificate by the Trustee that notice of such redemption has been given as herein provided shall be conclusive as against all parties and the Owner shall not be entitled to show that he or she failed to receive notice of such redemption.

In addition to the foregoing notice, further notice shall be given by the Trustee as set out below, but no defect or omission in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the legality or effectiveness of a call for redemption if notice thereof is given as above prescribed.

Each further notice of redemption shall be sent not later than the date that notice of redemption is sent to the Bondowners pursuant to the first paragraph of this Section to the Depository (if the Depository has not already received such notice of redemption as the registered owner of the Bonds or Parity Bonds, as applicable) and to the Information Services.

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

Section 4.4 Partial Redemption of Bonds or Parity Bonds. Upon surrender of any Bond or Parity Bond to be redeemed in part only, the District shall execute and the Trustee shall 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.

Section 4.5 Effect of Notice and Availability of Redemption Money. Notice of redemption having been duly given, as provided in Section 4.3 hereof, 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 shall, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in this Indenture or in any Supplemental Indenture with respect to any Parity Bonds, anything in this Indenture or in the Bonds or the Parity Bonds to the contrary notwithstanding;

(b) upon presentation and surrender thereof at the office of the Trustee, the redemption price of such Bonds and Parity Bonds shall 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 shall be deemed to be no longer Outstanding and such Bonds or Parity Bonds, or portions thereof, shall 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 shall be entitled to any of the benefits of this 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.

ARTICLE V

COVENANTS AND WARRANTY

Section 5.1 Warranty. The District warrants that it shall preserve and protect the security pledged hereunder to the Bonds and any Parity Bonds against all claims and demands of all persons.

Section 5.2 Covenants. So long as any of the Bonds or Parity Bonds issued hereunder are Outstanding and unpaid, the District makes the following covenants with the Bondowners under the provisions of the Act and this 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; 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 covenants that it will receive all Special Taxes in trust for the Owners and will instruct the Treasurer to deposit all Special Taxes with the Trustee as soon as reasonably practicable following their apportionment to the District, and the District shall have no beneficial right or interest in the amounts so deposited except as provided

by this Indenture. All such Special Taxes shall be disbursed, allocated and applied solely to the uses and purposes set forth herein, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

The District covenants that it will duly and punctually pay or cause to be paid the principal of and interest on every Bond and Parity Bond issued hereunder, 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 this Indenture to the extent that Net Taxes and other amounts pledged hereunder are available therefor, and that the payments into the Funds and Accounts created hereunder will be made, all in strict conformity with the terms of the Bonds, any Parity Bonds, and this Indenture, and that it will faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Supplemental Indentures and of the Bonds and any Parity Bonds issued hereunder.

The District will not mortgage or otherwise encumber, pledge or place any charge upon any of the Special Taxes except as provided in this Indenture, and will not issue any obligation or security having a lien, charge, pledge or encumbrance upon the Net Taxes senior or superior to the Bonds or Parity Bonds or on a parity with the Bonds, other than Parity Bonds. Nothing herein shall prevent the District from issuing Subordinated Bonds or incurring other indebtedness which 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) Levy of Special Tax. Beginning in Fiscal Year 2019-20, and so long as any Bonds or Parity Bonds issued under this Indenture are Outstanding, subject to the limitations set forth in the Act and the RMA, the legislative body of the District covenants to levy the Special Tax in an amount sufficient (taking into account reasonably anticipated delinquencies), together with other amounts on deposit in the Special Tax Fund, to pay (1) the principal of and interest on the Bonds and any Parity Bonds when due, (2) the Administrative Expenses, and (3) any amounts required to replenish the Reserve Account of the Special Tax Fund to the Reserve Requirement. The District further covenants 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.

(c) Commence Foreclosure Proceedings. The District covenants for the benefit of the Owners of the Bonds and any Parity Bonds that it (i) will commence judicial foreclosure proceedings against parcels with aggregate delinquent Special Taxes (including prior years) in excess of \$5,000 or more as of the October 1 following the close of each Fiscal Year in which such Special Taxes were due, (ii) will commence judicial foreclosure proceedings against parcels owned by any single owner with delinquent Special Taxes in the aggregate amount (including prior years) of \$5,000 or more, (iii) will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes regardless of delinquent amount 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 less than the Reserve Requirement, and (iv) will diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as the amount in the Reserve Account is at least equal to the Reserve Requirement. The District may, but shall not be obligated to, advance funds from any source of legally available funds in order to maintain the Reserve Account. The District may treat any delinquent Special Tax sold to an independent third-party or to any funds of the Water District for at least 100% of the

delinquent amount as having been paid. Proceeds of any such sale up to 100% of the delinquent amount will be deposited in the Special Tax Fund.

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

(d) 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, or which might impair the security of the Bonds or any Parity Bonds then Outstanding; provided, however, that nothing herein contained shall require the District to make any such payments so long as the District in good faith shall contest the validity of any such claims.

(e) 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 shall be made of all transactions relating to the improvements constructed with the proceeds of bonded indebtedness issued by the District, the levy of the Special Tax and the deposits to the Special Tax Fund. Such books of records and accounts shall at all times during business hours be subject to the inspection of the Trustee or of 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.

(f) Federal Tax Covenants. Notwithstanding any other provision of this 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 covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, 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 monies 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 herein.

(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.

(g) Reduction of Maximum Special Taxes. The District hereby finds and determines that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in Southern California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the District hereby determines that a reduction in the maximum Special Tax rates authorized to be levied on parcels in Improvement Area No. 1 below the levels provided in this Section 5.2(g) would interfere with the timely retirement of the Bonds and Parity Bonds. The District determines 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 hereby does covenant, that it shall not initiate proceedings to reduce the maximum Special Tax rates for Improvement Area No. 1, unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in Improvement Area No. 1 as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property in each Bond Year for any Bonds and Parity Bonds Outstanding will equal at least the sum of the Administrative Expenses Cap and 110% of gross debt service in each Bond Year on all Bonds and Parity Bonds to remain Outstanding after the reduction is approved, (ii) the District finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds and Parity Bonds, and (iii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds. For purposes of estimating Administrative Expenses for the foregoing calculation, the Independent Financial Consultant shall assume Administrative Expenses at the Administrative Expenses Cap.

Notwithstanding the foregoing, the District may modify, alter or amend the RMA in any manner so long as such changes do not reduce the maximum Special Taxes that may be levied in each year on Developed Property below the amounts which are necessary to pay Administrative

Expenses and to provide Special Taxes in an amount equal to one hundred ten percent (110%) of Maximum Annual Debt Service on the Bonds and Parity Bonds Outstanding as of the date of such amendment.

(h) Covenants to Defend. The District covenants that, in the event that any initiative is adopted by the qualified electors in Improvement Area No. 1 which purports to reduce the maximum Special Tax below the levels specified in Section 5.2(g) above or to limit the power of the District to levy the Special Taxes for the purposes set forth in Section 5.2(b) above, it will commence and pursue legal action in order to preserve its ability to comply with such covenants.

(i) Limitation on Right to Tender Bonds. The District hereby covenants that it will not adopt any policy pursuant to Section 53344.1 of the Act permitting the tender of Bonds or Parity Bonds in full payment or partial payment of any Special Taxes unless the District shall have first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Special Tax revenues to pay the principal of and interest on the Bonds and Parity Bonds when due.

(j) Continuing Disclosure. The District covenants to comply with the terms of the Continuing Disclosure Certificate and with the terms of any agreement executed by the District with respect to any Parity Bonds to assist the Underwriter in complying with Rule 15(c)2-12 adopted by the Securities and Exchange Commission.

(k) Further Assurances. The District shall preserve and protect the security pledged to the Bonds and any Parity Bonds against all claims and demands as long as the Bonds or Parity Bonds are Outstanding and shall make, execute and deliver any and all such further agreements, instruments and assurances as may be reasonably necessary or desirable to carry out the intention or to facilitate the performance of this 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 this Indenture.

ARTICLE VI

AMENDMENTS TO INDENTURE

Section 6.1 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 herein which may be inconsistent with any other provision herein, or to make any other provision with respect to matters or questions arising under this 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 this Indenture, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with this 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 this Indenture;

(d) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter 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 shall not materially adversely affect the interests of the Owners of the Bonds or any Parity Bonds then Outstanding; or

(e) to modify, alter, amend or supplement this Indenture in any other respect which is not materially adverse to the Bondowners or that is contrary to the rules and regulations of the Municipal Securities Rulemaking Board.

Section 6.2 Supplemental Indentures or Orders Requiring Bondowner Consent.

Exclusive of the Supplemental Indentures described in Section 6.1, the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding shall have the right to consent to and approve the adoption by the District of such Supplemental Indentures as shall be 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 this Indenture; provided, however, that nothing herein shall 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 shall desire to adopt a Supplemental Indenture, which pursuant to the terms of this Section shall require the consent of the Bondowners, the District shall so notify the Trustee and shall deliver to the Trustee a copy of the proposed Supplemental Indenture. The Trustee shall, 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 shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the office of the Trustee for inspection by all Bondowners. The failure of any Bondowners to receive such notice shall 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 this Section. Whenever at any time within one year after the date of the first mailing of such notice, the Trustee shall receive 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 shall refer to the proposed Supplemental Indenture described in such notice, and shall specifically consent to and approve 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, shall 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 which 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, shall be disregarded and shall 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 this section, this Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the District and all Owners of Outstanding Bonds and Parity Bonds shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments.

Section 6.3 Notation of Bonds or Parity Bonds; Delivery of Amended Bonds or Parity Bonds. After the effective date of any action taken as hereinabove provided, 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 his Bond or Parity Bond for the purpose at the 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 shall be made on such Bonds or Parity Bonds. If the District shall so determine, new Bonds or Parity Bonds so modified as, in the opinion of the District, shall be necessary to conform to such action shall 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 shall be exchanged at the 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.

ARTICLE VII

TRUSTEE

Section 7.1 Trustee. Wilmington Trust, National Association, shall be the Trustee for the Bonds and any Parity Bonds unless and until another Trustee is appointed by the District hereunder. The Trustee represents that it has a combined capital (exclusive of borrowed capital) and surplus of at least \$100,000,000. The District may, at any time, appoint a successor Trustee satisfying the requirements of Section 7.2 below for the purpose of receiving all money which the District is required to deposit with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture.

The Trustee is hereby authorized to and shall mail by first class mail, postage prepaid, or wire transfer in accordance with Section 2.5 above, interest payments to the Bondowners, to select Bonds and Parity Bonds that are not held in the name of the Nominee for redemption, and to maintain the Bond Register. The Trustee is hereby 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 all as provided in this Indenture, and to provide for the authentication of Bonds and Parity Bonds, and shall perform all other duties assigned to or imposed on it as provided in this Indenture. The Trustee shall keep accurate records of all funds administered by it and all Bonds and Parity Bonds paid, discharged and cancelled by it.

The Trustee is hereby authorized to redeem the Bonds and Parity Bonds when duly presented for payment at maturity, or on redemption prior to maturity. The Trustee shall cancel all Bonds and Parity Bonds upon payment thereof in accordance with the provisions of Section 10.1 hereof.

The District shall 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 hereunder. The foregoing obligation of the District to indemnify the Trustee shall survive the removal or resignation of the Trustee, the discharge of the Bonds or termination of this Indenture.

The Trustee shall receive reasonable compensation for its services hereunder and the Trustee shall be entitled to be reimbursed by the District for its other reasonable expenses hereunder, including the reasonable compensation, expenses and disbursements of such agents, representatives, experts and counsel as the Trustee may employ in connection with the exercise and performance of its rights and its duties hereunder. All such fees and reimbursements shall be paid solely from amounts held in the Administrative Expense Fund.

Except during the continuance of an Event of Default, the Trustee undertakes to perform only such duties as are specifically set forth in this Indenture, and no implied covenants, duties or obligations shall be read into this Indenture against the Trustee. If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent corporate Trustee.

Section 7.2 Removal of Trustee. The District may at any time at its sole discretion remove the Trustee initially appointed, and any successor thereto, by delivering to the Trustee a written notice of its decision to remove the Trustee and may appoint a successor or successors thereto; provided that any such successor shall be a bank 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. Any removal shall become effective only upon acceptance of appointment by the successor Trustee. If any bank 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 this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any removal of the Trustee and appointment of a successor Trustee shall 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.

Section 7.3 Resignation of Trustee. The Trustee may at any time resign by giving written notice to the District and by giving to the Owners notice of such resignation, which notice shall be mailed to the Owners at their addresses appearing in the registration books in the office of the Trustee. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee satisfying the criteria in Section 7.2 above by an instrument in writing. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. In the event the District shall for any reason whatsoever fail to appoint a successor Trustee within ninety (90) days following the receipt of notice by the District, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of Section 7.2 hereof. Any such successor Trustee

appointed by such court shall become the successor Trustee hereunder notwithstanding any action by the District purporting to appoint a successor Trustee following the expiration of such 90-day period.

Section 7.4 Liability of Trustee. The recitals of fact and all promises, covenants and agreements contained herein and in the Bonds and any Parity Bonds shall 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 this Indenture, the Bonds or any Parity Bonds, and shall incur no responsibility in respect thereof, other than in connection with its duties or obligations specifically set forth herein, in the Bonds and any Parity Bonds, or in the certificate of authentication assigned to or imposed upon the Trustee. The Trustee shall be under no responsibility or duty with respect to the issuance of the Bonds or any Parity Bonds for value. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, Bond, Parity Bond 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 may consult with counsel, who may be counsel to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered hereunder in good faith and in accordance therewith.

The Trustee shall not be 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 his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a written certificate of the District, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of this Indenture upon the faith thereof, 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 shall have no duty or obligation whatsoever to enforce the collection of Special Taxes or other funds to be deposited with it hereunder, or as to the correctness of any amounts received, but its liability shall be limited to the proper accounting for such funds as it shall actually receive. No provision in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers.

The Trustee shall not be deemed to have knowledge of any default or Event of Default until an officer at the Trustee's Principal Office of the Trustee responsible for the administration of its duties hereunder shall have actual knowledge thereof or the Trustee shall have received written notice thereof at the Principal Office of the Trustee.

The Trustee shall be under no responsibility or duty with respect to (i) the issuance of the Bonds for value, (ii) the application of the proceeds thereof except to the extent that such proceeds are received by it in its capacity as Trustee, or (iii) the application of any moneys paid to the District or others in

accordance with this Indenture except as to the application of any moneys paid to it in its capacity as Trustee. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture. The Trustee and its officers and employees may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

The Trustee shall not be considered in breach of or in default in its obligations hereunder 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 due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, natural catastrophes, civil or military disturbances, loss or malfunctions of utilities, any act of God or war, terrorism or the unavailability of the Federal Reserve Bank or other wire or communication facility, or any similar event and/or occurrences beyond the control of the Trustee; provided, that in the event of any such unavoidable delay, the Trustee shall notify the District in writing within five (5) Business Days after (i) the occurrence of the event giving rise to such unavoidable delay, (ii) the Trustee’s actual knowledge of the impending unavoidable delay, or (iii) the Trustee’s knowledge of sufficient facts under which a reasonable person would conclude the unavoidable delay will occur.

If the Trustee acts in good faith on any communication (including, but not limited to, communication with respect to the delivery of securities or the wire transfer of funds) sent by electronic transmission and believed by the Trustee to be genuine and to have been signed or presented by the proper person or persons, the Trustee, absent negligence or willful misconduct, will not be responsible or liable in the event such communication is not an authorized or authentic communication of the party involved or is not in the form the party involved sent or intended to send (whether due to fraud, distortion or otherwise). Absent negligence or willful misconduct on the part of the Trustee, the Trustee will not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s good faith reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction received by the Trustee after the Trustee has acted upon such original instructions. Subject to the foregoing, the District agrees to assume all risks arising out of the use of such electronic transmission to submit instructions and directions 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.

Section 7.5 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 shall be a party or any company to which the Trustee

may sell or transfer all or substantially all of its corporate trust business, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding; provided, however, such successor shall provide the District with a notice of merger or conversion as soon as practicable.

ARTICLE VIII

EVENTS OF DEFAULT; REMEDIES

Section 8.1 Events of Default. Any one or more of the following events shall 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 shall become 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 shall become due and payable; or

(c) except as described in (a) or (b), default shall be made by the District in the observance of any of the agreements, conditions or covenants on its part contained in this Indenture, the Bonds or any Parity Bonds, and such default shall have continued for a period of 30 days after the District shall have 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.

The Trustee agrees to give notice to the Owners as soon as practicable upon the occurrence of an Event of Default under (a) or (b) above and within 10 days of the Trustee’s knowledge of a default of the type described in (c) above which, if not cured, with the passage of time would become an Event of Default.

Section 8.2 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 this Indenture, including:

(a) by mandamus or other suit or proceeding at law or in equity to enforce his 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 this 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 shall have occurred and be continuing and if requested so to do by the Owners of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds and Parity Bonds and if indemnified to its satisfaction, the Trustee shall be obligated to exercise such

one or more of the rights and powers conferred by this Article 8, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Owners of the Bonds and Parity Bonds.

No remedy herein conferred upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter 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.

Section 8.3 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 this Indenture relating to the Bonds and Parity Bonds shall 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 this Article 8, 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 such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall 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.

Section 8.4 Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of twenty-five percent (25%) in aggregate principal amount of the Bonds and Parity Bonds then Outstanding, it shall 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 shall 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 hereunder opposing such discontinuance, withdrawal, compromise, settlement or other such litigation. Any suit, action or proceeding which any Owner of Bonds or Parity Bonds shall have the right to bring to enforce any

right or remedy hereunder 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 is hereby appointed (and the successive respective Owners of the Bonds and Parity Bonds issued hereunder, by taking and holding the same, shall 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.

Section 8.5 Appointment of Receivers. Upon the occurrence of an Event of Default hereunder, 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 this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Net Taxes and other amounts pledged hereunder, pending such proceedings, with such powers as the court making such appointment shall confer.

Section 8.6 Non-Waiver. Nothing in this Article 8 or in any other provision of this Indenture, or in the Bonds or the Parity Bonds, shall 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 herein provided, out of the Net Taxes and other moneys herein pledged for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any Owners shall 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 shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or the Owners by the Act or by this Article 8 may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Owners, as the case may be.

Section 8.7 Limitations on Rights and Remedies of Owners. No Owner of any Bond or Parity Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such Owner shall have 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 shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall 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 shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds and Parity Bonds of any remedy hereunder; it being understood and intended that no one or more Owners of Bonds and Parity Bonds shall have any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the

manner herein provided 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 herein provided or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

Section 8.8 Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the District, the Trustee and the Owners shall be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

ARTICLE IX

DEFEASANCE AND PARITY BONDS

Section 9.1 Defeasance. If the District shall pay or cause to be paid, or there shall 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 this Indenture or any Supplemental Indenture, then the Owner of such Bond or Parity Bond shall 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 this Indenture and any Supplemental Indenture relating to such Parity Bond shall 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 this Section, the Trustee shall execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the District all money or securities held by it pursuant to this 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 shall be deemed to have been paid within the meaning expressed in the first paragraph of this Section 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 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 shall 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 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 shall 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 shall not have been surrendered for payment, all obligations of the District under this Indenture and any Supplemental Indenture with respect to such Bond or Parity Bond shall 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 Section 5.2(f) or any covenants in a Supplemental Indenture relating to compliance with the Code. Notice of such election shall 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 (c) above, there shall 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 this Section, as and when the same shall 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 this Indenture and any applicable Supplemental Indenture.

Upon a defeasance, the Trustee, upon request of the District, shall release the rights of the Owners of such Bonds and Parity Bonds which have been defeased under this 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 hereunder of all Outstanding Bonds and Parity Bonds, the Trustee shall pay over or deliver to the District any funds held by the Trustee at the time of a defeasance, which 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 shall, 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.

Section 9.2 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 hereunder issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued hereunder or under any Supplemental Indenture; provided, however, that Parity Bonds may only be issued for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then Outstanding. Parity Bonds which may only be issued to effect a partial refunding may be issued subject to the following additional specific conditions, which are hereby made conditions precedent to the issuance of any such Parity Bonds:

(a) The District shall be in compliance with all covenants set forth in this Indenture and any Supplemental Indenture then in effect and a certificate of the District to that effect shall have been filed with the Trustee; provided, however, that Parity Bonds may be issued notwithstanding 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 shall have been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Parity Bonds shall have been provided for by a Supplemental Indenture duly adopted by the District which shall specify 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 shall fall on an September 1, (ii) all such Parity Bonds of like maturity shall be identical in all respects, except as to number, and (iii) fixed serial maturities or Sinking Fund Payments, or any combination thereof, shall be 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 this Indenture.

(c) The District shall have received the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Trustee (unless the Trustee shall be directed by the District to accept 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 and/or general counsel to the District to the effect that (i) the District has the right and power under the Act to adopt this Indenture and the Supplemental Indentures relating to such Parity Bonds, and this 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) this Indenture creates the valid pledge which it purports to create of the Net Taxes and other amounts as provided in this Indenture, subject to the application thereof to the purposes and on the conditions permitted by this 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 this Indenture and all Supplemental Indentures thereto and entitled to the benefits of this 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 this 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 this Indenture;

(5) a certificate of an Independent Financial Consultant certifying that in each Bond Year the Annual Debt Service on the Bonds and Parity Bonds to remain Outstanding following the issuance of the Parity Bonds proposed to be issued is less than the Annual Debt Service on the Bonds and Parity Bonds Outstanding prior to the issuance of such Parity Bonds; and

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

ARTICLE X

MISCELLANEOUS

Section 10.1 Cancellation of Bonds and Parity Bonds. All Bonds and Parity Bonds surrendered to the Trustee for payment upon maturity or for redemption shall be upon payment therefor, and any Bond or Parity Bond purchased by the District as authorized herein and delivered to the Trustee for such purpose shall be, cancelled forthwith and shall not be reissued. The Trustee shall destroy such Bonds and Parity Bonds, as provided by law, and furnish to the District a certificate of such destruction.

Section 10.2 Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Indenture to be signed or executed by Bondowners may be in any number of concurrent instruments of similar tenor 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 shall be sufficient for the purposes of this Indenture (except as otherwise herein provided), 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 shall also constitute sufficient proof of his authority.

(b) As to any Bond or Parity Bond, the person in whose name the same shall be registered in the Bond Register shall 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, shall be made only to or upon the order of the registered Owner thereof or his or her legal representative. All such payments shall 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 shall be affected by any notice to the contrary.

Nothing contained in this Indenture shall 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 herein stated which the Trustee or the District may deem sufficient. Any request or consent of the Owner of any Bond or Parity Bond shall 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.

Section 10.3 Unclaimed Moneys. Anything in this 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 which remain 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, shall be repaid by the Trustee to the District, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall 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, shall 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 shall not be 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.

Section 10.4 Provisions Constitute Contract. The provisions of this Indenture shall constitute a contract between the District and the Bondowners and the provisions hereof shall 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 shall be 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 shall

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 this Indenture shall be irrevocable, but shall be subject to modifications to the extent and in the manner provided in this Indenture, but to no greater extent and in no other manner.

Section 10.5 Future Contracts. Nothing herein contained shall be deemed to restrict or prohibit the District from making contracts or issuing Subordinated Bonds or creating other indebtedness payable from a pledge, lien, charge and encumbrance upon the Net Taxes which is subordinate to the pledge hereunder, 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 hereunder.

Section 10.6 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 desirable to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners of the Bonds or any Parity Bonds the rights and benefits provided in this Indenture.

Section 10.7 Severability. If any covenant, agreement or provision, or any portion thereof, contained in this Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of this Indenture and the application of any such covenant, agreement or provision, or portion thereof, to other persons or circumstances, shall be deemed severable and shall not be affected thereby, and this Indenture, the Bonds and any Parity Bonds issued pursuant hereto shall remain valid and the Bondowners shall retain all valid rights and benefits accorded to them under the laws of the State of California.

Section 10.8 Notices. Any notices required to be given to the District with respect to the Bonds or this Indenture shall be mailed, first class, postage prepaid, sent overnight mail or personally delivered to the General Manager at 22646 Temescal Valley Road, Temescal Valley, California 92883, and all notices to the Trustee in its capacity as Trustee shall be mailed, first class, postage prepaid, sent via overnight mail, personally delivered or sent via electronic (email) transmission (with a portable document format or similar attachment) to the Trustee, Wilmington Trust, National Association, 650 Town Center Drive, Suite 800, Costa Mesa, California 92626, Attention: Corporate Trust Department, Email: atabor2@wilmingtontrust.com.

Section 10.9 Governing Law. This Indenture shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR) OF TEMESCAL VALLEY WATER DISTRICT has caused this Bond Indenture to be signed by an Authorized Representative of the District and WILMINGTON TRUST, NATIONAL ASSOCIATION, in token of its acceptance of the trust created hereunder, has caused this Bond Indenture to be signed in its corporate name by its officers identified below, all as of the day and year first above written.

COMMUNITY FACILITIES DISTRICT NO. 4
(TERRAMOR) OF TEMESCAL VALLEY WATER
DISTRICT

By: _____
Authorized Representative

WILMINGTON TRUST, NATIONAL
ASSOCIATION,
as Trustee

By: _____
Authorized Officer

EXHIBIT A

FORM OF 2018 SPECIAL TAX BOND

R- _____

\$ _____

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF RIVERSIDE**

**COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT
(IMPROVEMENT AREA NO. 1)
2018 SPECIAL TAX BOND**

INTEREST RATE: _____% **MATURITY DATE:** September 1, _____ **DATED DATE:** _____, 2018 **CUSIP:** _____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ AND NO/100 DOLLARS

COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR) OF TEMESCAL VALLEY WATER DISTRICT (the "District") which was formed by the Temescal Valley Water District (the "Water District") and is situated in the County of Riverside, State of California, FOR VALUE RECEIVED, hereby promises to pay, solely from certain amounts held under the Indenture (as hereinafter defined), to the Registered Owner named above, or registered assigns, on the Maturity Date set forth above, unless redeemed prior thereto as hereinafter provided, the Principal Amount set forth above, and to pay interest on such Principal Amount from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication hereof, unless (i) the date of authentication is an Interest Payment Date in which event interest shall be payable from such date of authentication, (ii) the date of authentication is after a Record Date (as hereinafter defined) but prior to the immediately succeeding Interest Payment Date, in which event interest shall 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 shall be payable from the Dated Date set forth above. Notwithstanding the foregoing, if at the time of authentication of this Bond interest is in default, interest on this Bond shall 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, interest on this Bond shall be payable from the Dated Date set forth above. Interest will be paid semiannually on March 1 and September 1 (each an

“Interest Payment Date”), commencing March 1, 2019, at the Interest Rate set forth above, until the Principal Amount hereof is paid or made available for payment.

The principal of and premium, if any, on this Bond are payable to the Registered Owner hereof in lawful money of the United States of America upon presentation and surrender of this Bond at the Principal Office of the Trustee (as such term is defined in the Indenture defined below), initially Wilmington Trust, National Association (the “Trustee”). Interest on this Bond shall be paid by check of the Trustee mailed, by first class mail, postage prepaid, or in certain circumstances described in the Indenture by wire transfer to an account within the United States of America, to the Registered Owner hereof as of the close of business on the fifteenth day of the month preceding an Interest Payment Date (the “Record Date”) at such Registered Owner’s address as it appears on the registration books maintained by the Trustee.

This Bond is one of a duly authorized issue of “Community Facilities District No. 4 (Terramor) of Temescal Valley Water District (Improvement Area No. 1) 2018 Special Tax Bonds” (the “Bonds”) issued in the aggregate principal amount of \$_____ pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being Sections 53311, *et seq.*, of the California Government Code (the “Act”) for the purpose of financing certain public improvements, funding a reserve account and paying certain costs related to the issuance of the Bonds. The issuance of the Bonds and the terms and conditions thereof are provided for by a resolution adopted by the Board of Directors of the Water District, acting in its capacity as the legislative body of the District (the “Legislative Body”), on _____, 2018 and a Bond Indenture (the “Indenture”) dated as of _____ 1, 2018, by and between the District and the Trustee, and this reference incorporates the Indenture herein, and by acceptance hereof the Registered Owner of this Bond assents to said terms and conditions. The Indenture is adopted under and this Bond is issued under, and both are to be construed in accordance with, the laws of the State of California.

Pursuant to the Act and the Indenture, the principal of, premium, if any, and interest on this Bond are payable solely from the portion of the annual special taxes authorized under the Act to be levied and collected within Improvement Area No. 1 of the District described in the Indenture (the “Special Taxes”) and certain other amounts pledged to the repayment of the Bonds as set forth in the Indenture. Any amounts for the payment hereof shall be limited to the Special Taxes pledged and collected or foreclosure proceeds received following a default in payment of the Special Taxes and other amounts deposited to the Special Tax Fund established under the Indenture. The District has covenanted for the benefit of the owners of the Bonds that under certain circumstances described in the Indenture it will commence foreclosure proceedings in the event of delinquencies of Special Tax installments levied for payment of principal and interest on the Bonds and will diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid.

The Bonds may be redeemed, at the option of the District from any source of funds, other than Special Tax Prepayments, on any date on or after September 1, 2025, in whole, or in part by lot, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date of redemption, at the following redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed):

<i>Redemption Dates</i>	<i>Redemption Price</i>
September 1, 2025 through August 31, 2026	103%
September 1, 2026 through August 31, 2027	102
September 1, 2027 through August 31, 2028	101
September 1, 2028 and any date thereafter	100

The Term Bonds maturing on September 1, 20__ shall be called before maturity and redeemed, from Sinking Fund Payments deposited into the Principal Account, on September 1, 20__ and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth in the Indenture, and the Term Bonds called for redemption shall be selected by the Trustee by lot and shall be redeemed at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium.

The Term Bonds maturing on September 1, 20__ shall be called before maturity and redeemed, from Sinking Fund Payments deposited into the Principal Account, on September 1, 20__ and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth in the Indenture, and the Term Bonds called for redemption shall be selected by the Trustee by lot and shall be redeemed at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium.

The Bonds are subject to extraordinary redemption as a whole, or in part on any Interest Payment Date, and shall be redeemed by the Trustee, from Prepayments deposited to the Redemption Account plus amounts transferred from the Reserve Account in connection with such transfers, 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 through March 1, 2026	103%
September 1, 2026 and March 1, 2027	102
September 1, 2027 and March 1, 2028	101
September 1, 2028 and any Interest Payment Date thereafter	100

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

Notice of redemption with respect to the Bonds to be redeemed shall be mailed to the registered owners thereof not less than 30 nor more than 45 days prior to the redemption date by first class mail, postage prepaid, to the addresses set forth in the registration books in accordance with the provisions of the Indenture or so long as the Bonds are registered in the name of the Nominee to the Depository in accordance with its procedures. Neither a failure of the Registered Owner hereof to receive such notice nor any defect therein will affect the validity of the proceedings for redemption.

All Bonds or portions thereof so called for redemption will cease to accrue interest on the specified redemption date, provided that funds for the redemption are on deposit with the Trustee on the redemption date. Thereafter, the registered owners of such Bonds shall have no rights except to receive payment of the redemption price upon the surrender of the Bonds.

This Bond shall be registered in the name of the Registered Owner hereof, as to both principal and interest, and the District and the Trustee may treat the Registered Owner hereof as the absolute owner for all purposes and shall not be affected by any notice to the contrary.

The Bonds are issuable only in fully registered form in the denomination of \$5,000 or any integral multiple thereof and may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same issue and maturity, all as more fully set forth in the Indenture. This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Principal Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, upon surrender and cancellation of this Bond. Upon such transfer, a new registered Bond of authorized denomination or denominations for the same aggregate principal amount of the same issue and maturity will be issued to the transferee in exchange therefor.

The Trustee shall not be required to register transfers or make exchanges of (i) any Bonds for a period of 15 days next preceding any selection of the Bonds to be redeemed, or (ii) any Bonds chosen for redemption.

The rights and obligations of the District and of the registered owners of the Bonds may be amended at any time, and in certain cases without notice to or the consent of the registered owners, to the extent and upon the terms provided in the Indenture.

THE BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE WATER DISTRICT, THE COUNTY OF RIVERSIDE OR OF THE DISTRICT FOR WHICH THE WATER DISTRICT, THE COUNTY OF RIVERSIDE OR THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE, OR HAS LEVIED OR PLEDGED, GENERAL OR SPECIAL TAXES, OTHER THAN THE SPECIAL TAXES REFERENCED HEREIN. THE BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE FROM THE PORTION OF THE SPECIAL TAXES DESCRIBED IN THE INDENTURE AND OTHER AMOUNTS PLEDGED UNDER THE INDENTURE BUT ARE NOT A DEBT OF THE WATER DISTRICT, THE COUNTY OF RIVERSIDE, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Trustee.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of the District, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

IN WITNESS WHEREOF, Community Facilities District No. 4 (Terramor) of Temescal Valley Water District has caused this Bond to be signed on behalf of the District by the President of the Board of Directors of the Water District by his or her facsimile signature and attested by the facsimile signature of the Secretary.

President of the Board of Directors of the Temescal Valley Water District, acting in its capacity as the legislative body of Community Facilities District No. 4 (Terramor) of Temescal Valley Water District

ATTEST:

Secretary of the Board of Directors of the Temescal Valley Water District, acting in its capacity as the legislative body of Community Facilities District No. 4 (Terramor) of Temescal Valley Water District

**[FORM OF TRUSTEE'S CERTIFICATE
OF AUTHENTICATION AND REGISTRATION]**

This is one of the Bonds described in the within-defined Indenture.

Dated: _____, 2018

Wilmington Trust, National Association, as Trustee

By: _____
Its: Authorized Signatory

[FORM OF LEGAL OPINION]

The following is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation, in connection with the issuance of, and dated as of the date of the original delivery of, the Bonds. A signed copy is on file in my office.

Secretary of the Board of Directors of the Temescal Valley Water District, acting in its capacity as the legislative body of Community Facilities District No. 4 (Terramor) of Temescal Valley Water District

[FORM OF ASSIGNMENT]

For value received the undersigned do(es) hereby sell, assign and transfer unto

whose tax identification number is _____,
the within-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s)

attorney to transfer the same on the books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature guaranteed:

NOTE: Signature(s) must be guaranteed by an eligible guarantor institution.

NOTE: The signatures(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT B

FORM OF REQUISITION FOR DISBURSEMENT OF COSTS OF ISSUANCE

COSTS OF ISSUANCE FUND

REQUISITION FOR DISBURSEMENT OF COSTS OF ISSUANCE

The undersigned, on behalf of Community Facilities District No. 4 (Terramor) of Temescal Valley Water District (the "District"), hereby requests Wilmington Trust, National Association, as Trustee, to pay from the Community Facilities District No. 4 of Temescal Valley Water District Improvement Area No. 1 Costs of Issuance Fund, established by the Bond Indenture between the Trustee and the District dated as of _____ 1, 2018, upon receipt of an invoice from each of the payees set forth on Schedule I hereto the amount specified in such invoice but no more than the amount set forth on Schedule I and to the payees listed on Schedule I for payment of the Costs of Issuance set forth in the invoice attached hereto.

All payments shall be made by check or wire transfer in accordance with the payment instructions included on Schedule I or the accompanying invoices and the Trustee has no responsibility to verify or authenticate the payment instructions or the invoices or the authority under which they were given.

COMMUNITY FACILITIES DISTRICT NO. 4
(TERRAMOR) OF TEMESCAL VALLEY WATER
DISTRICT

Signature:

By: _____
Name:
Title:

Dated:
Requisition No.:

EXHIBIT C

FORM OF REQUISITION FOR DISBURSEMENT OF PROJECT COSTS

ACQUISITION AND CONSTRUCTION FUND

REQUISITION FOR DISBURSEMENT OF PROJECT COSTS

The undersigned, on behalf of Community Facilities District No. 4 (Terramor) of Temescal Valley Water District (the "District"), hereby requests Wilmington Trust, National Association, as Trustee, to pay from the _____ Account of the Community Facilities District No. 4 of Temescal Valley Water District Improvement Area No. 1 Acquisition and Construction Fund, established by the Bond Indenture between the Trustee and the District dated as of _____ 1, 2018, upon receipt of an invoice from each of the payees set forth on Schedule I hereto the amount specified in such invoice but no more than the amount set forth on Schedule I and to the payees listed on Schedule I for payment of the Project Costs set forth in the invoice attached hereto.

All payments shall be made by check or wire transfer in accordance with the payment instructions included on Schedule I or the accompanying invoices and the Trustee has no responsibility to verify or authenticate the payment instructions or the invoices or the authority under which they were given.

COMMUNITY FACILITIES DISTRICT NO. 4
(TERRAMOR) OF TEMESCAL VALLEY WATER
DISTRICT

Signature:

By: _____
Name:
Title:

Dated:
Requisition No.:

§ _____
**COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT
(IMPROVEMENT AREA NO. 1)
2018 SPECIAL TAX BONDS**

=====

BOND PURCHASE AGREEMENT

=====

_____, 2018

Community Facilities District No. 4 (Terramor)
of Temescal Valley Water District
c/o Temescal Valley Water District
22646 Temescal Canyon Road
Temescal Valley, California 92883

Ladies and Gentlemen:

Piper Jaffray & Co., as underwriter (the “Underwriter”) acting not as a fiduciary or agent for you, but on behalf of itself, offers to enter into this Bond Purchase Agreement (this “Agreement”) with Community Facilities District No. 4 (Terramor) of Temescal Valley Water District (the “District”) which, upon acceptance, will be binding upon the District and the Underwriter. This offer is made subject to its acceptance by the District on the date hereof, and it is subject to withdrawal by the Underwriter upon notice delivered to the District at any time prior to the acceptance by the District. Capitalized terms that are used in this offer and not otherwise defined herein shall have the respective meanings ascribed to them in the Indenture (as hereinafter defined).

The District acknowledges and agrees that: (i) the primary role of the Underwriter is to purchase securities for resale to investors in an arms-length commercial transaction between the District and the Underwriter and that the Underwriter has financial and other interests that differ from those of the District, and in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as the agent or fiduciary of the District; (ii) the Underwriter is not acting as a municipal advisor (within the meaning of Section 15B of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), financial advisor or fiduciary to the District or any other person or entity and has not assumed any advisory or fiduciary responsibility to the District with respect to the transaction contemplated hereby and the discussions, undertakings and proceedings leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District on other matters); (iii) the only obligations the Underwriter has to the District with respect to the transaction contemplated hereby expressly are set forth in this Agreement, except as otherwise provided by applicable rules and regulations of the Securities and Exchange Commission (“SEC”) or the rules of the Municipal Securities Rulemaking Board (“MSRB”) or other law; and

(iv) the District has consulted its own legal, accounting, tax, municipal, financial and other advisors, as applicable, to the extent it has deemed appropriate in connection with the transaction contemplated herein. The District acknowledges receipt from the Underwriter of disclosures required by MSRB Rule G-17, relating to the Underwriter's role in the transaction, the Underwriter's compensation, conflict disclosures, if any, and complex municipal securities financing, if any.

1. Purchase, Sale and Delivery of the Bonds. Subject to the terms and conditions, and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter agrees to purchase from the District, and the District agrees to sell to the Underwriter, all (but not less than all) of the Bonds at a purchase price (the "Purchase Price") of \$ _____ (equal to the par amount of the Bonds of \$ _____, plus net original issue premium of \$ _____, less an Underwriter's discount of \$ _____).

The Bonds shall be dated the Closing Date (as hereinafter defined), bear interest from said date (payable semiannually on March 1 and September 1 in each year, commencing March 1, 2019) at the rates per annum, and mature on the dates and in the principal amounts and shall be subject to redemption, all as set forth in Exhibit A hereto.

The Bonds will be issued by the District under the Mello-Roos Community Facilities Act of 1982, as amended (constituting Section 53311 *et seq.* of the Government Code of the State of California) (the "Act") and a resolution adopted on November __, 2018 (the "Bond Resolution") by the Board of Directors (the "Board of Directors") of the Temescal Valley Water District (the "Water District") acting as the legislative body of the District.

The special taxes that provide a source of payment for the Bonds (the "Special Taxes") will be levied on property within Improvement Area No. 1 of the District ("Improvement Area No. 1") under Ordinance No. [_____] adopted by the Board of Directors on [_____] 2016 (the "Ordinance"). In addition to the Ordinance, the Board of Directors adopted the following in connection with initial formation of the District, designation of Improvement Area No. 1 and the levy of the Special Taxes: (i) Resolution No. R-16-11 (the "Resolution of Intention to Form the District"); (ii) Resolution No. R-16-12 (the "Resolution of Intention to Incur Bonded Indebtedness"); (iii) Resolution No. R-16-13 (the "Resolution of Formation"); (iv) Resolution No. R-16-14 ("Resolution Declaring Necessity to Incur Bonded Indebtedness") and (v) Resolution No. R-16-15 (the "Resolution Declaring Election Results" and, collectively, the "Formation Resolutions and Ordinance"). Together, the Bond Resolution and the Formation Resolutions and Ordinance are referred to as the "Resolutions and Ordinance."

The Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable and be subject to redemption as provided in the Bond Indenture, dated as of _____ 1, 2018 (the "Indenture") by and between the District and Wilmington Trust, National Association, as trustee (the "Trustee"). The proceeds of the sale of the Bonds will be used by the District to (i) pay the costs of forming the District and Improvement Area No. 1 therein ("Improvement Area No. 1"); (ii) pay the cost and expense of the acquisition and construction of certain public facilities in connection with the development of Improvement Area No. 1; (iii) fund a reserve account securing the Bonds; (iv) pay a portion of the interest due on the Bonds through September 1, 2019; (v) fund certain administrative

expenses of the District; and (vi) pay costs of issuance of the Bonds. Proceeds of the Bonds will be applied in accordance with the Indenture.

At 8:00 A.M., Pacific Daylight Time, on _____, 2018, or at such other time or date as shall be agreed upon by the Underwriter and the District (such time and date being herein referred to as the “Closing Date”), the District will deliver (i) to The Depository Trust Company in New York, New York, the Bonds in definitive form (all Bonds being in book-entry form registered in the name of Cede & Co. and having the CUSIP numbers assigned to them printed thereon), duly executed by the officers of the District as provided in the Indenture, and (ii) to the Underwriter, at the offices of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, the other documents herein mentioned; and the Underwriter shall accept such delivery and pay the purchase price of the Bonds in same day funds. The Bonds, as so registered, shall be made available to the Underwriter for inspection not later than the second to last business day before the Closing Date. The delivery of and payment for the Bonds is herein referred to as the “Closing.”

2. Public Offering and Establishment of Issue Price. The Underwriter agrees to make an bona fide initial public offering of all of the Bonds in compliance with federal and state securities laws, at a price not in excess of the initial offering prices set forth on Exhibit A attached hereto and incorporated herein by reference. Subject to the paragraphs below, the Underwriter may change the initial offering prices as it deems necessary in connection with the offering of the Bonds without any requirement of prior notice, and may offer and sell the Bonds to institutions at prices lower than those stated in Exhibit A.

The Underwriter agrees to assist the District in establishing the issue price of the Bonds and shall execute and deliver to the District at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the District and Bond Counsel (as defined below), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the District under this section to establish the issue price of the Bonds may be taken on behalf of the District by CSG Advisors, Incorporated (the “Municipal Advisor”) and any notice of report to be provided to the District may be provided to the Municipal Advisor.

[Except as otherwise set forth in Exhibit A attached hereto,] the District will treat the first price at which 10% of each maturity of the Bonds (the “10% test”), is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Agreement, the Underwriter shall report to the District the price or prices at which it has sold to the public each maturity of Bonds. [If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the District the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) the Underwriter has sold all Bonds of that maturity or (ii) the 10% test has been satisfied as to the Bonds of that maturity, provided that, the Underwriter’s reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon the request of the

District or Bond Counsel. For clarity, and notwithstanding any other condition to Closing set forth in this Agreement, the sale of 10% of each maturity of the Bonds to the public prior to the Closing Date shall not be a condition to Closing.]

[The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Agreement at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Exhibit A attached hereto, except as otherwise set forth therein. Exhibit A also sets forth, as of the date of this Agreement, the maturities, if any, of the Bonds for which the 10% test has not been satisfied and for which the District and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the District to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (i) the close of the fifth (5th) business day after the sale date; or
- (ii) the date on which the Underwriter has sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter shall advise the District promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.][Applies only if the Underwriter agrees to apply the hold-the-offering-price rule]

The Underwriter confirms that:

(i) any selling group agreement and any retail distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such retail distribution agreement, as applicable: (A) to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the bonds of that maturity, provided that, the reporting obligation after the Closing Date may be a periodic intervals or otherwise upon request of the Underwriter [and to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter], (B) to promptly notified the Underwriter of any sales of Bonds that, to its knowledge are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such terms being used as defined below), and (C) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(ii) any selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer

that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Securities of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer[, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires].

The District acknowledges that, in making the representations set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, [including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds], as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, [including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds], as set forth in the third-party distribution agreement and the related pricing wires. The District further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds[, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds].

The Underwriter acknowledges that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “public” means any person other than an underwriter or a related party;

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public);

(iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including

direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

(iv) “sale date” means the date of execution of this Agreement by all parties.

3. Official Statement. The District shall deliver or cause to be delivered to the Underwriter promptly after acceptance of this Agreement copies of the Official Statement relating to the Bonds, dated the date hereof (which, together with all exhibits and appendices included therein or attached thereto and with such amendments or supplements thereto which shall be approved by the Underwriter, the “Official Statement”). The District authorizes the Official Statement, including the cover page and appendices thereto and the information contained therein, to be used in connection with the sale of the Bonds and ratifies, confirms and approves the use and distribution by the Underwriter for such purpose, prior to the date hereof, of the Preliminary Official Statement dated _____, 2018 (the “Preliminary Official Statement”). The District authorized distribution (including the electronic distribution) of the Preliminary Official Statement and preparation and distribution of a final Official Statement pursuant to the Bond Resolution. The District deems such Preliminary Official Statement final as of its date for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), except for information allowed to be omitted by Rule 15c2-12, and has executed a certificate to that effect in the form of Exhibit C. The District also agrees to deliver to the Underwriter, at the District’s sole cost and at such address as the Underwriter shall specify, as many copies of the Official Statement as the Underwriter shall reasonably request as necessary to comply with paragraph (b)(4) of Rule 15c2-12 with Rule G-32 and all other applicable rules of the MSRB. The District agrees to deliver such copies of the Official Statement within seven (7) business days after the date hereof. Such Official Statement shall contain all information previously permitted to be omitted by Rule 15c2-12. The Underwriter agrees to give written notice to the District of the date after which the Underwriter shall no longer be obligated to deliver Official Statements pursuant to paragraph (b)(4) of Rule 15c2-12 which shall be no later than 25 days after the End of the Underwriting Period (as such term is hereinafter defined).

The Underwriter agrees to promptly file a copy of the final Official Statement, including any supplements prepared by the Successor Agency, in compliance with MSRB Rule G-32, and to take any and all other actions necessary to comply with applicable SEC rules and MSRB rules governing the offering, sale and delivery of the Bonds to the ultimate purchasers thereof.

In connection with the issuance of the Bonds, and in order to assist the Underwriter in complying with Rule 15c2-12, the District will execute a Continuing Disclosure Certificate dated the Closing Date (the “Continuing Disclosure Certificate”). The form of Continuing Disclosure Certificate is attached as Appendix F to the Preliminary Official Statement.

4. Representations, Warranties and Agreements of the District. The District hereby agrees with and makes the following representations and warranties to, the Underwriter, as of the date hereof and as of the Closing Date, which representations and warranties shall survive the Closing:

(a) The District is duly organized and validly existing as a community facilities district under the laws of the State of California (the “State”), and has the full legal right, power and authority, among other things, upon satisfaction of the conditions in this Agreement and the Indenture, (i) to issue the Bonds as provided herein, and (ii) to secure the Bonds in the manner set forth in the Indenture.

(b) The Board of Directors has the full legal right, power and authority to adopt the Resolutions and Ordinance, and the District has the full legal right, power and authority to: (i) enter into this Agreement, the Indenture, and the Continuing Disclosure Certificate, [the Acquisition Agreement relating to Improvement Area No. 1 of the District, by and among the Water District, the District and Forestar Toscana Development Company (the “Acquisition Agreement”)] (collectively, the “District Documents”); (ii) issue, sell and deliver the Bonds to the Underwriter as provided herein; and (iii) carry out and consummate all other transactions on its part contemplated by the Final Official Statement and each of the District Documents, and the District and the Board of Directors have complied with all provisions of applicable law, including the Act, in all matters relating to such transactions.

(c) The District has duly authorized: (i) the execution and delivery by the District of the Bonds and the execution, delivery and due performance by the District of its obligations under the District Documents; (ii) the distribution and use of the Preliminary Official Statement and execution, delivery and distribution of the Final Official Statement; and (iii) the taking of any and all such action as may be required on the part of the District to carry out, give effect to and consummate the transactions on its part contemplated by such instruments. All consents or approvals necessary to be obtained by the District in connection with the foregoing have been received, and the consents or approvals so received are still in full force and effect.

(d) The Resolutions and Ordinances have been duly adopted by the Board of Directors and are in full force and effect; and the District Documents, when executed and delivered by the District and the other party thereto, will constitute a legal, valid and binding obligation of the District enforceable against the District in accordance with their terms, except as enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors’ rights generally.

(e) When delivered to the Underwriter, the Bonds will have been duly authorized by the Board of Directors and duly executed, issued and delivered by the District and will constitute legal, valid and binding special obligations of the District enforceable against the District in accordance with their respective terms, except as enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors’ rights generally, and will be entitled to the benefit and security of the Indenture.

(f) The information (excluding information relating to The Depository Trust Company and its book-entry system, CUSIP numbers, information provided by the Underwriter and information under the captions “OWNERSHIP AND DEVELOPMENT OF IMPROVEMENT AREA NO. 1” “THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1 – Appraisal Report” together, the “Excluded Information”) contained in the Preliminary Official Statement is, and as of the Closing Date such information in the Final Official Statement will be true and correct in all material respects, and except for the

Excluded Information as to which no view is expressed, the Preliminary Official Statement does not as of its date and the Final Official Statement will not as of the Closing Date contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) If, at any time up to and including twenty-five (25) days after the End of the Underwriting Period (as hereinafter defined), any event known to the officers of the District participating in the issuance of the Bonds occurs with respect to the District or the Water District as a result of which the Final Official Statement as then amended or supplemented includes an untrue statement of a material fact, or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the District shall promptly notify the Underwriter in writing of such event and shall provide a supplement to the Underwriter so that the Final Official Statement, as supplemented, does not contain an untrue statement or omit any material fact. Any information supplied by the District for inclusion in any amendments or supplements to the Final Official Statement will not contain any untrue or misleading statement of a material fact relating to the District or the Water District or omit to state any material fact relating to the District or the Water District necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. As used herein, the term “End of the Underwriting Period” means the later of such time as: (i) the Bonds are delivered to the Underwriter; or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the End of the Underwriting Period shall be deemed to be the Closing Date. Any notice delivered pursuant to this provision shall be written notice delivered to the District at or prior to the Closing Date, and shall specify a date (other than the Closing Date) to be deemed the “End of the Underwriting Period.”

(h) Neither the adoption of the Resolutions and Ordinance, the execution and delivery of the District Documents, nor the consummation of the transactions on the part of the District contemplated herein or therein or the compliance by the District with the provisions hereof or thereof will conflict with, or constitute on the part of the District, a violation of, or a breach of or default under, (i) any material indenture, mortgage, commitment, note or other agreement or instrument to which the District is a party or by which it is bound, (ii) any provision of the State Constitution or (iii) any existing law, rule, regulation, ordinance, judgment, order or decree to which the District or the Water District (or the members of the Board of Directors or any of its officers in their respective capacities as such) is subject, that would have a material adverse affect on the ability of the District to perform its obligations under the District Documents.

(i) The District has not previously issued or entered into any obligation and the District has not entered into any contract or arrangement of any kind which might give rise to any lien or encumbrance on the Special Taxes.

(j) Except as is specifically disclosed in the Official Statement, to the best knowledge of the District, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending with respect to which the District or the District has been served with process or threatened, which in any way questions the powers of the Board of Directors, the Water District or the District referred to in paragraph (b) above, or

the validity of any proceeding taken by the Board of Directors in connection with the issuance of the Bonds, or wherein an unfavorable decision, ruling or finding could materially adversely affect the transactions contemplated by the District Documents, or which, in any way, could adversely affect the validity or enforceability of the Resolutions and Ordinance, the Bonds or the District Documents or, to the knowledge of the District, which in any way questions the exclusion from gross income of the recipients thereof of the interest on the Bonds for federal income tax purposes or in any other way questions the status of the Bonds under State tax laws or regulations.

(k) The District will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order for the Underwriter to qualify the Bonds for offer and sale under the “Blue Sky” or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; provided, however, the District shall not be required to register as a dealer or a broker of securities or to consent to service of process in connection with any blue sky filing.

(l) Any certificate signed by an official of the District authorized to execute such certificate and delivered to the Underwriter in connection with the transactions contemplated by the District Documents shall be deemed a representation and warranty by the District to the Underwriter as to the truth of the statements therein contained.

(m) The District has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certifications may not be relied upon.

(n) The Bonds will be paid from Net Taxes (as defined in the Indenture) received by the District and amounts held in certain funds and accounts established and pledged under the Indenture.

(o) The Special Taxes may lawfully be levied in accordance with the rate and method of apportionment of special tax for Improvement Area No. 1 of the District (the “Rate and Method”), the Resolutions and Ordinance as described in the Preliminary Official Statement and the Official Statement, and, when levied, will be secured by a lien on the property on which they are levied.

(p) The Indenture creates a valid pledge of, and first lien upon, the Net Taxes deposited thereunder, and the amounts held in certain funds and accounts established and pledged under the Indenture, subject in all cases to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

(q) Except as disclosed in the Final Official Statement, in the last five years, neither the Water District, nor the District, nor any other entity for which the Water District is the legislative body, has failed to comply with any undertaking under Rule 15c2-12 in any material respect.

5. Conditions to the Obligations of the Underwriter. The obligations of the Underwriter to accept delivery of and pay for the Bonds on the Closing Date shall be subject, at

the option of the Underwriter, to the accuracy in all material respects of the representations and warranties on the part of the District contained herein, as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the District made in any certificates or other documents furnished pursuant to the provisions hereof, to the performance by the District of its obligations to be performed hereunder at or prior to the Closing Date and to the following additional conditions:

(a) At the Closing Date, the District Documents shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter, and there shall have been taken in connection therewith, with the issuance of the Bonds and with the transactions contemplated thereby and by this Agreement, all such actions as, in the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, bond counsel (“Bond Counsel”) for the District, shall be necessary and appropriate;

(b) Between the date hereof and the Closing Date, the market price or marketability of the Bonds at the initial offering prices set forth in the Official Statement shall not have been materially adversely affected, in the judgment of the Underwriter (evidenced by a written notice to the District terminating the obligation of the Underwriter to accept delivery of and pay for the Bonds), which judgment shall be formed (to the maximum extent reasonably practicable under the circumstances) only after consultation with the Municipal Advisor, by reason of any of the following:

(i) legislation introduced in or enacted (or resolution passed) by the Congress of the United States of America or recommended to the Congress by the President of the United States, the Department of the Treasury, the Internal Revenue Service, or any member of Congress, or favorably reported for passage to either House of Congress by any committee of such House to which such legislation had been referred for consideration or a decision rendered by a court established under Article III of the Constitution of the United States of America or by the Tax Court of the United States of America, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Treasury Department or the Internal Revenue Service of the United States of America, with the purpose or effect, directly or indirectly, of imposing federal income taxation upon the interest that would be received by the holders of the Bonds beyond the extent to which such interest is subject to taxation as of the date hereof; or

(ii) legislation introduced in or enacted (or resolution passed) by the Congress of the United States of America, or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the SEC, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, or the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering or sale of obligations of the general character of the Bonds, or of the Bonds, including any or all underwriting arrangements, as contemplated hereby or by the Official Statement or otherwise is or would be in violation of the federal securities laws, rules or regulations as amended and then in effect; or

(iii) any amendment to the federal or California Constitution or action by any federal or California court, legislative body, regulatory body or other authority materially adversely affecting the validity or enforceability of the Special Taxes; or

(iv) the declaration of war or the escalation of, or engagement in, military hostilities by the United States or the occurrence of any other national or international emergency or calamity relating to the effective operation of the government of, or the financial community in, the United States the effect of which is such as to make it impracticable or inadvisable to proceed with the remarketing and redelivery of the Bonds as contemplated hereby or by the Official Statement; or

(v) the declaration of a general banking moratorium by federal, State of New York, or State of California authorities, or the general suspension of trading on any national securities exchange; or

(vi) the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Bonds or obligations of the general character of the Bonds or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriter; or

(vii) an order, decree or injunction of any court of competent jurisdiction, or order, ruling, regulation or official statement by the Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the remarketing, reoffering or redelivery of the Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect; or

(viii) any event occurring, or information becoming known, which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or results in the Official Statement containing any untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; or

(ix) any proceeding shall be pending or threatened by the SEC against the District or the Water District; or

(x) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which adversely affects the Underwriter's ability to sell the Bonds; or

(xi) the New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose, as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in

force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter; or

(xii) an amendment to the federal or State constitution shall be enacted or action taken by any federal or State court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the District, its property, income or securities (or interest thereon), the validity or enforceability of the Special Taxes or the ability of the District to issue the Bonds and levy the Special Taxes as contemplated by the Indenture, the Rate and Method, the Resolution of Formation, the Ordinance and the Official Statement; or

(xiii) the entry of any order by a court of competent jurisdiction which enjoins or restrains the City from issuing permits, licenses or entitlements within the District or which order, in the reasonable opinion of the Underwriter, otherwise materially and adversely affects development of the real property located in the District.

6. The obligation of the Underwriter to purchase the Bonds is subject (i) to the performance by the District of its obligations to be performed by it hereunder at and prior to the Closing; (ii) to the accuracy as of the date hereof and as of the time of the Closing of the representations and warranties of the District; (iii) to the accuracy of, and in reliance on, the representations and covenants of: Forestar Toscana Development Company, a Delaware corporation (“Forestar”), KB Home California, LLC, a Delaware limited liability company (“KB Home”), Terramore 83 LLC, a California limited liability company (“Van Daele”), CalAtlantic Group, Inc., a Delaware corporation (“CalAtlantic”), and Pulte Home Company, a Michigan limited liability company (“Pulte” and together with Forestar, KB Home, Val Daele, and CalAtlantic, the “Developers”) contained in the Letters of Representation delivered in connection with the Preliminary Official Statement and Closing Certificates delivered as of the Closing Date, in substantially the forms attached hereto as Exhibit D, with such additional changes as may be agreed to by the Developers and the Underwriter, and (d) to the following conditions, including the delivery by the District of such documents as are enumerated herein in form and substance satisfactory to the Underwriter:

(a) At the time of Closing, (i) the Official Statement and the District Documents shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to by the Underwriter, and (ii) the District shall have duly adopted and there shall be in full force and effect such resolutions and ordinances (including, but not limited to, the Resolutions and Ordinance) as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby.

(b) Receipt of the Bonds, executed by the District and authenticated by the Trustee, at or prior to the Closing. The terms of the Bonds, when delivered, shall in all instances be as described in Official Statement.

(c) On or prior to the Closing Date, the Underwriter shall have received counterpart originals or certified copies of the following documents, in each case satisfactory in form and substance to the Underwriter:

(1) A final approving opinion of Bond Counsel dated the Closing Date in the form attached to the Final Official Statement.

(2) A letter or letters of Bond Counsel addressed to the Underwriter, which includes a statement to the effect that Bond Counsel's final approving opinion may be relied upon by the Underwriter to the same extent as if such opinion were addressed to the Underwriter, and further provides:

(i) the statements contained in the Official Statement on the cover page and under the captions "INTRODUCTION - Sources of Payment for the Bonds," "INTRODUCTION - Description of the Bonds," "THE BONDS" (other than information relating to DTC and its book-entry only system and information in the section entitled "Debt Service Schedule", as to which no opinion need be expressed), "SOURCES OF PAYMENT FOR THE BONDS (except information mentioned in the section entitled "No Teeter Plan" as to which no opinion need be expressed)," and "TAX MATTERS," and in Appendices C and E thereto, excluding any material that may be treated as included under such captions by reference to other documents, insofar as such statements expressly summarize certain provisions of the Indenture, the Bonds, the Rate and Method and the form and content of Bond Counsel's final opinion are accurate in all material respects; and

(ii) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended.

(3) A letter of Stradling Yocca Carlson & Rauth, a Professional Corporation addressed to the District and the Underwriter ("Disclosure Counsel"), to the effect that during the course of serving as Disclosure Counsel in connection with the issuance of the Bonds and without having undertaken to determine independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, no information came to the attention of the attorneys in such firm rendering legal services in connection with the issuance of the Bonds that would lead them to believe that the Official Statement (excluding therefrom the financial statements, any financial or statistical data, assessed or appraised valuations, absorption schedules or forecasts, charts, numbers, estimates, projections, assumptions or expressions of opinion included in the Official Statement, information regarding DTC, and the appendices to the Official Statement, as to which no opinion need be expressed), as of the date thereof or the Closing Date, contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(4) A letter of Best Best & Krieger LLP, ("Underwriter's Counsel"), dated the Closing Date, addressed to the Underwriter and in form and substance acceptable to the Underwriter.

(5) Certified copies of the Resolutions and Ordinance.

(6) The Official Statement, duly executed by the District.

(7) Evidence of recordation in the real property records of the County of Riverside of the Notice of Special Tax Lien relating to Improvement Area No. 1 of the District, in the form required by the Act.

(8) A certificate of David Taussig & Associates, Inc., Newport Beach, California (“Special Tax Consultant”), in form and substance as set forth in Exhibit E hereto, dated as of the Closing Date.

(9) A certificate of the District, in form and substance as set forth in Exhibit F hereto, dated as of the Closing Date.

(10) Evidence that Form 8038-G has been executed by the District and will be filed with the Internal Revenue Service.

(11) Executed copies of the District Documents.

(12) A non-arbitrage certificate executed by the District in form and substance satisfactory to Bond Counsel.

(13) An opinion, dated the Closing Date and addressed to the Underwriter, of the General Counsel to the Water District, as counsel to the District, to the effect that:

(i) the District is duly organized and validly existing as a community facilities district under and by virtue of the Constitution and laws of the State (including the Act);

(ii) the Board of Directors of the Water District, acting as legislative body of the District, has the full legal right, power and authority to adopt the Resolutions and Ordinance;

(iii) the Resolutions and Ordinance were duly adopted at meetings of the Board of Directors, acting as legislative body of the District which were called and held under law and with all public notice required by law and at which a quorum was present and acting throughout, and the Resolutions and Ordinance are in full force and effect and have not been amended or repealed;

(iv) this Agreement and the Continuing Disclosure Certificate have been duly executed and delivered by, and constitute valid and binding obligations of, the District, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting enforcement of creditors’ rights in general and to the application of equitable principles if equitable remedies are sought; and

(v) to their best knowledge, based on reasonable due diligence, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body is pending with respect to which the District has been served with process or threatened, in any way affecting the existence of the Water District, the District or the titles of the District’s officials to their respective offices, or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds or the application of the proceeds thereof in accordance with the Indenture, or the collection or application of the Special Taxes to pay the

principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the District Documents or any action of the District contemplated by any of said documents, or in any way contesting the completeness or accuracy of the Official Statement or the powers of the District or its authority with respect to the Bonds, the District Documents or any action on the part of the District contemplated by any of said documents, wherein an unfavorable decision, ruling, or finding could materially adversely affect the validity or enforceability of the Bonds or the District Documents;

(vi) the execution and delivery of the Bonds and the District Documents, and compliance with the provisions of each, will not conflict with or constitute a breach of or default under any loan agreement, note, ordinance, resolution, indenture, contract, agreement or other instrument of which the District is a party or is otherwise subject or bound, a consequence of which could be to materially and adversely affect the ability of the District to perform its obligations under the Bonds or the District Documents; and

(vii) all approvals, consents, authorization, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the ability of the District, to perform its obligations under the Bonds or the District Documents, have been obtained or made, as the case may be, and are in full force and effect.

(14) A certificate of the Trustee in the form attached hereto as Exhibit G, and an opinion of its counsel in form and substance satisfactory to the Underwriter and Bond Counsel, each dated as of the Closing Date.

(15) A certificate of the Municipal Advisor, in the form and substance attached hereto as Exhibit H.

(16) A Letter of Representations for each of the Developers, addressed to the District and the Underwriter in connection with the printing of the Preliminary Official Statement dated the date of the Preliminary Official Statement, and a Closing Certificate for each of the Developers, addressed to the District and the Underwriter, dated the Closing Date, in the forms attached hereto as Exhibit D.

(17) A negative assurance letter or letters regarding the Final Official Statement from respective counsel to the Developers addressed to the District and the Underwriter in form and substance acceptable to Disclosure Counsel and the Underwriter.

(18) A Developer Continuing Disclosure Certificate from Forestar substantially in the form attached to the Preliminary Official Statement as Appendix G.

(19) A Merchant Builder Continuing Disclosure Certificate from Pulte and KB Home substantially in the form attached to the Preliminary Official Statement as Appendix H.

(20) A certificate of Kitty Siino & Associates, the appraiser, in the form and substance attached hereto as Exhibit I.

(21) The executed Blanket Letter of Representations to The Depository Trust Company of the District.

(22) A report of proposed debt issuance, acknowledgement thereof and final report to the California Debt and Investment Advisory Commission with respect to the Bonds.

(23) Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the statements and information contained in the Preliminary Official Statement and the Official Statement, of the District's representations and warranties contained herein, and of the Developers' representations and warranties set forth in their certificates hereto and the due performance or satisfaction by the District at or prior to the Closing of all agreements then to be performed and all conditions then to be satisfied by the County in connection with the transactions contemplated hereby and by the Official Statement.

If the District shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds contained in this Agreement, or if the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the Underwriter nor the District shall be under any further obligation hereunder, except that the respective obligations of the District and the Underwriter set forth in Section 8 hereof shall continue in full force and effect.

7. Conditions of the District's Obligations. The District's obligations hereunder are subject to the Underwriter's performance of their obligations hereunder, and are also subject to the following conditions:

(a) As of the Closing Date, no litigation shall be pending or, to the knowledge of the duly authorized officer of the District executing the certificate referred to in Section 6 hereof, threatened, to restrain or enjoin the issuance or sale of the Bonds or in any way affecting any authority for or the validity of the Bonds or the District Documents or the existence or powers of the District; and

(b) As of the Closing Date, the District shall receive the approving opinions of Bond Counsel and Underwriter's Counsel referred to in Section 6 hereof, dated as of the Closing Date.

8. Expenses. Whether or not the Bonds are delivered to the Underwriter as set forth herein:

(a) The Underwriter shall be under no obligation to pay, and the District shall pay or cause to be paid (out of any legally available funds of the District) all expenses incident to the performance of the District's obligations hereunder, including, but not limited to, the cost of printing, engraving and delivering the Bonds to DTC, the cost of preparation, printing, distributing and delivering of the Indenture, the Preliminary Official Statement, the Official Statement and all other agreements and documents contemplated hereby (and drafts of any thereof) in such reasonable quantities as requested by the Underwriter; and the fees and disbursements of the Trustee, Bond Counsel and any municipal advisor, special tax consultants,

appraisers, accountants, engineers or any other experts or consultants the District retained in connection with the Bonds; and

(b) The District shall be under no obligation to pay, and the Underwriter shall pay, any fees of the California Debt and Investment Advisory Commission, the cost of preparation of any “blue sky” or legal investment memoranda and this Agreement; expenses to qualify the Bonds for sale under any “blue sky” or other state securities laws; and all other expenses incurred by the Underwriter in connection with its public offering and distribution of the Bonds (except those specifically enumerated in paragraph (a) of this section), including the fees and disbursements of its counsel and any advertising expenses.

9. Notices. Any notice or other communication to be given to the District under this Agreement may be given by delivering the same in writing to the District, c/o 22646 Temescal Canyon Road, Temescal Valley, California 92883, Attention: General Manager and any notice or other communication to be given to the Underwriter under this Agreement may be given by delivering the same in writing to Piper Jaffray & Co., 2321 Rosecrans Avenue, Suite 3200, El Segundo, California 90245, Attention: Katherine Koster.

10. Parties in Interest. This Agreement is made solely for the benefit of the District and the Underwriter (including their successors or assigns), and no other person shall acquire or have any right hereunder or by virtue hereof.

11. Survival of Representations, Warranties and Agreements. The representations, warranties and agreements of the District set forth in or made pursuant to this Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and statements of the District and regardless of delivery of and payment for the Bonds.

12. Effective. This Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the District and shall be valid and enforceable as of the time of such acceptance.

13. No Prior Agreements. This Agreement supersedes and replaces all prior negotiations, agreements and understandings between the parties hereto in relation to the sale of Bonds for the District.

14. Governing Law. This Agreement shall be governed by the laws of the State.

(Signature page follows)

15. Counterparts. This Agreement may be executed simultaneously in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

PIPER JAFFRAY & CO., as Underwriter

By: _____
Managing Director

Accepted: _____, 2018, at ____ p.m.
(Pacific)

**COMMUNITY FACILITIES DISTRICT NO. 4
(TERRAMOR) OF TEMESCAL VALLEY
WATER DISTRICT**

By: _____

EXHIBIT A

**\$ _____
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT
(IMPROVEMENT AREA NO. 1)
2018 SPECIAL TAX BONDS**

MATURITY SCHEDULE

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u> \$	<u>Interest</u> <u>Rate</u> %	<u>Yield</u> %	<u>Price</u>	<u>10% Test</u> <u>Satisfied</u>	<u>10% Test</u> <u>Not Satisfied</u>	<u>Subject to</u> <u>Hold-The-</u> <u>Offering-</u> <u>Price Rule</u>
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EXHIBIT B

§
**COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT
(IMPROVEMENT AREA NO. 1)
2018 SPECIAL TAX BONDS**

FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Piper Jaffray & Co. (“Piper”) hereby certifies as set forth below with respect to the sale and issuance of the above-captioned bonds (the “Bonds”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***Defined Terms.***

(a) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) *Issuer* means Community Facilities District No. 4 (Terramor) of Temescal Valley Water District.

(c) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(d) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Piper’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds,

and by Stradling Yocca Carlson & Rauth, a Professional Corporation in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

PIPER JAFFRAY & CO.

By: _____

Name: _____

Dated: _____, 2018

SCHEDULE A

SALE PRICES OF THE GENERAL RULE MATURITIES

(Attached)

EXHIBIT C

§ _____*
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT
(IMPROVEMENT AREA NO. 1)
2018 SPECIAL TAX BONDS

RULE 15c2-12 CERTIFICATE

The undersigned hereby certifies and represents to Piper Jaffray & Co. (the "Underwriter") that the undersigned is a duly appointed and acting officer of the Temescal Valley Water District (the "Water District"), the Board of Directors of which is the legislative body for Community Facilities District No. 4 (Terramor) of Temescal Valley Water District (the "Issuer" or the "District"), a community facilities district duly organized and existing under the laws of the State of California (the "State") authorized to execute this Certificate, and further hereby certifies and confirms on behalf of the Issuer to the Underwriter as follows:

(1) This Certificate is delivered to enable the Underwriter to comply with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") in connection with the offering and sale of the Community Facilities District No. 4 (Terramor) of Temescal Valley Water District (Improvement Area No. 1) 2018 Special Tax Bonds (the "Bonds").

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement, dated [_____, ____], setting forth information concerning the Bonds, the Water District and the District, as issuer of the Bonds (the "Preliminary Official Statement").

(3) As used herein, "Permitted Omissions" shall mean the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters, all with respect to the Bonds.

(4) The Preliminary Official Statement is, except for the Permitted Omissions, deemed final within the meaning of the Rule and has been, and the information therein is accurate and complete in all material respects except for the Permitted Omissions.

IN WITNESS WHEREOF, I have hereunto set my hand as of the _____ day of _____, _____.

COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR) OF TEMESCAL VALLEY
WATER DISTRICT

By _____
Authorized Officer

* Preliminary, subject to change.

EXHIBIT D

**§ _____
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT
(IMPROVEMENT AREA NO. 1)
2018 SPECIAL TAX BONDS**

**LETTER OF REPRESENTATIONS OF
Developer**

_____, 2018

Community Facilities District No. 4 (Terramor)
of Temescal Valley Water District
Temescal Valley, California 92883

Piper Jaffray & Co.
El Segundo, California 90245

In connection with the issuance and sale of the above-captioned bonds (the “Bonds”), and pursuant to the Bond Purchase Agreement (the “Bond Purchase Agreement”) to be executed by and between Community Facilities District No 4 (Terramor) of Temescal Valley Water District (the “District”), and Piper Jaffray & Co., as underwriter (the “Underwriter”), the undersigned, on behalf of [DEVELOPER], a [_____] corporation] (the “Developer”) hereby certifies, represents, warrants and covenants that:

1. While the Bonds or any refunding obligations related thereto are outstanding, Developer will not bring any action, suit, proceeding, inquiry or investigation at law or in equity, before any court, regulatory agency, public board or body, that in any way seeks to challenge or overturn the formation of the District, to challenge the adoption of the ordinance levying Special Taxes within the District, to invalidate the District or any of the Bonds or any refunding obligations, or to invalidate the special tax lien imposed under Section 3115.5 of the Streets and Highways Code based on recordation of the notice of special tax lien relating thereto. The foregoing covenant shall not prevent Developer in any way from bringing any other action, suit, proceeding, inquiry, or investigation at law or in equity relating to the following: (i) that the Special Taxes have not been levied in accordance with the methodologies contained in the rate and method of apportionment of special tax (the “Rate and Method of Apportionment”) pursuant to which the Special Taxes are levied, (ii) the application or use of the Special Taxes levied and collected, or (iii) the enforcement of the obligations of the Temescal Valley Water District (the “Water District”) and/or the District under any agreement among or between the Developer, the City and/or and the District or to which Developer is a party or of which it is a beneficiary.

2. All information submitted by Developer directly to Kitty Siino & Associates, Inc., in connection with the preparation of the Appraisal Report described in the Preliminary Official Statement including any updates thereto made prior to the date hereof, was when given, true and

correct in all material respects and did not omit to state any material fact necessary to make such information, in light of the circumstances under which it was provided, not misleading; and, except for any such information that was modified or supplemented by subsequent information submitted by or on behalf of Developer or the information that is otherwise contained in the Preliminary Official Statement, no material change has occurred with respect to such information as of the date hereof.

3. As of the date hereof, the information in the Preliminary Official Statement under the captions [**Forestar**: “INTRODUCTION - Property Ownership and Development Status,” “OWNERSHIP AND DEVELOPMENT OF IMPROVEMENT AREA NO. 1 – Property Ownership in Improvement Area No. 1, – The Project” and “CONTINUING DISCLOSURE – Developer Continuing Disclosure,”] [**KB Home** “INTRODUCTION - Property Ownership and Development Status,” “OWNERSHIP AND DEVELOPMENT OF IMPROVEMENT AREA NO. 1 – Property Ownership in Improvement Area No. 1, – The Merchant Builders” and “CONTINUING DISCLOSURE – KB Home Continuing Disclosure”][**Van Daele**: “INTRODUCTION - Property Ownership and Development Status,” and “OWNERSHIP AND DEVELOPMENT OF IMPROVEMENT AREA NO. 1 - Property Ownership in Improvement Area No. 1, and – The Merchant Builders”][**CalAtlantic**: “INTRODUCTION - Property Ownership and Development Status,” and “OWNERSHIP AND DEVELOPMENT OF IMPROVEMENT AREA NO. 1 - Property Ownership in Improvement Area No. 1, and – The Merchant Builders”] [**Pulte**: “INTRODUCTION - Property Ownership and Development Status,” “OWNERSHIP AND DEVELOPMENT OF IMPROVEMENT AREA NO. 1 - Property Ownership in Improvement Area No. 1, – The Merchant Builders,” and “CONTINUING DISCLOSURE – Pulte Continuing Disclosure”] solely as such information pertains to Developer, its Affiliates (as defined below), the property owned by Developer and/or its Affiliates in the Improvement Area (the “**Property**”), Developer’s plans for the development of the Property and Developer’s contractual arrangements with respect thereto and the Developer’s compliance with its undertakings to provide continuing disclosure pursuant to the SEC’s Rule 15c2-12 (but in all cases under all captions excluding therefrom (i) information regarding the Appraisal Report that does not pertain to Developer or the Property, market value ratios and annual special tax ratios, and (ii) information which is identified as having been provided by a source other than the Developer) is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

4. Except as disclosed in the Preliminary Official Statement, Developer has not been adjudicated as bankrupt or discharged from any or all of its debts or obligations or granted an extension of time to pay its debts or a reorganization or readjustment of its debts within the past ten years. Except as disclosed in the Preliminary Official Statement, Developer does not have any proceedings pending (with service of process to Developer having been accomplished) or, to the Actual Knowledge of the Undersigned (as defined below), threatened in which Developer may be adjudicated as bankrupt, become the debtor in a bankruptcy proceeding, be discharged from any or all of its debts or obligations, be granted an extension of time to pay its debts or obligations, or be granted a reorganization or readjustment of its debts or obligations.

5. Except as disclosed in the Preliminary Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, is pending against the Developer (with proper service of process or proper notice to the Developer having been accomplished), or to the Actual Knowledge of the Undersigned, overtly threatened in writing against the Developer (a) which, if successful, is reasonably likely to materially and adversely affect the Developer's ability to complete the development and sale of the Property as described in the Preliminary Official Statement, or to pay its Special Taxes, or ordinary ad valorem property tax obligations related to the Property when due, or (b) which challenges or questions the validity or enforceability of the Bonds [or the Continuing Disclosure Certificate to be executed by the Developer in connection with the issuance of the Bonds].

6. Except as disclosed in the Preliminary Official Statement, to the Actual Knowledge of the Undersigned, no other public debt secured by a tax or assessment on the Property is in the process of being authorized and no assessment districts or community facilities districts have been or are in the process of being formed which include any portion of the Property.

7. Except as disclosed in the Preliminary Official Statement, there are no events of monetary default or events which with the passage of time would constitute a monetary default under any loan or similar credit arrangement to which Developer is a party the result of which could have a material adverse effect on the Developer's ability to complete the development and sale of the Property as described in the Preliminary Official Statement or to pay its Special Taxes related to the Property prior to delinquency.

8. Except as disclosed below or in the Preliminary Official Statement, with respect to property owned by Developer or its Affiliates located within the boundaries of a development project in California, to the Actual Knowledge of the Undersigned, within the last five years, neither Developer nor any of its Affiliates has (i) intentionally failed to pay when due any property taxes, special taxes, or assessments levied or assessed against such property, (ii) had any such property become either tax dedeed to any governmental agency or the subject of judicial foreclosure proceedings for failure to pay such property taxes, special taxes, or assessments levied or assessed against such property, or (iii) failed to cure such delinquencies within forty-five days of becoming aware of such delinquencies. Although it is the policy of Developer to pay all taxes applicable to property owned by it when due in the absence of a bona fide dispute as to the amount owned, it is possible that Developer and some of its Affiliates have, within the past five years, failed to pay property taxes on parcels that at one time or another were considered to be within the boundaries of a proposed development project, but were subsequently considered scrap or remnant parcels not suitable for construction of residences and having minimal or no value or use to Developer or its Affiliates. Such parcels may have ended up being tax dedeed to the state or a local agency. To the Actual Knowledge of the Undersigned, no such parcels were within a community facilities district or assessment district.

9. As used in this Certificate, the term "**Actual Knowledge of the Undersigned**" means the knowledge that the undersigned currently has as of the date of this Certificate or has obtained through (i) interviews with such current officers and responsible employees of the Developer and its Affiliates (or its members or agents) as the undersigned has reasonably

determined are likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth in this Certificate including, if the undersigned is not the chief financial officer of Developer (or, if Developer does not have a chief financial officer, the person who performs the functions usually associated with such officer) the chief financial officer or such person (or such other person who may have been approved by the Underwriter), and (ii) reviews of documents that were reasonably necessary for the undersigned to obtain knowledge of the matters set forth in this Certificate. The undersigned has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of the Developer's financial operations, such as those interviews and reviews mentioned above.

10. As used in this Certificate, the term “**Affiliate**” of Developer means any person directly (or indirectly through one or more intermediaries) that exercises managerial control over Developer or that is under managerial control of Developer, and about whom information could be material to potential investors in their investment decision regarding the Bonds (including without limitation information relevant to the proposed development of the Property, or to Developer's ability to pay the special taxes levied on the Property prior to delinquency).

11. Until the date which is twenty-five days after the “End of the Underwriting Period” (as defined in Section 4(g) of the Bond Purchase Agreement), if any event shall occur of which Developer becomes aware, as a result of which it may be necessary to supplement the Official Statement in order to make the statements in the Official Statement under the caption referenced in Section 3 hereof regarding Developer, its Affiliates, the Property, or the development of the Property, in light of the circumstances existing at such time, not misleading in any material respect, Developer shall forthwith give written notice thereof to the District and the Underwriter and shall reasonably cooperate with them in furnishing any information available to Developer for any supplement to the Official Statement necessary so that the statements in the Official Statement under the caption referenced in Section 3 hereof, as so supplemented, will not be misleading in any material respect in light of the circumstances existing at such time.

12. Developer agrees to deliver a Closing Certificate dated the date of issuance of the Bonds at the time of issuance of the Bonds in substantially the form attached as Appendix A hereto.

13. All capitalized terms not otherwise defined herein shall have the meaning set forth in the Bond Purchase Agreement.

[Remainder of page intentionally left blank]

The undersigned has executed this Letter of Representations solely in his or her capacity as an officer or authorized representative of the Developer and he or she will have no personal liability arising from or relating to this Letter of Representations. Any liability arising from or relating to this Letter of Representations may only be asserted against the Developer.

[DEVELOPER]

By: _____

[EXECUTION PAGE OF LETTER OF REPRESENTATIONS]

APPENDIX A TO EXHIBIT D

**§ _____
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT
(IMPROVEMENT AREA NO. 1)
2018 SPECIAL TAX BONDS**

CLOSING CERTIFICATE OF DEVELOPER

[Closing Date]

Community Facilities District No. 4 (Terramor)
of Temescal Valley Water District
Temescal Valley, California 92883

Piper Jaffray & Co.
El Segundo, California 90245

Ladies and Gentlemen:

Reference is made to the above-captioned bonds (the “Bonds”) and to the Bond Purchase Agreement, dated _____, 2018 (the “Bond Purchase Agreement”), entered into in connection therewith. This certificate is delivered pursuant to the Bond Purchase Agreement. Capitalized terms used herein and not otherwise defined have the meanings ascribed to them in the Letter of Representations (the “Letter of Representations”), dated _____, 2018, delivered by [DEVELOPER], a [_____] (the “Developer”), which is attached hereto as Exhibit A.

The undersigned certifies that he or she is familiar with the facts herein certified and is authorized and qualified to certify the same as an authorized officer or representative of the Developer, and the undersigned, on behalf of the Developer, further certifies as follows:

1. The Developer has received the final Official Statement dated _____, 2018 relating to the Bonds (the “Official Statement”). To the Actual Knowledge of the Undersigned, each statement, representation and warranty made in the Letter of Representations is true and correct in all material respects on and as of the date hereof with the same effect as if made on the date hereof, except that all references therein to the Preliminary Official Statement shall be deemed to be references to the Official Statement.

2. To the Actual Knowledge of the Undersigned, no event has occurred since the date of the Preliminary Official Statement affecting the statements and information described in Paragraph 3 of the Letter of Representations (and subject to the limitations and exclusions contained in Paragraph 3 of the Letter of Representations) relating to the Developer, its Affiliates, ownership of the Property, the Developer’s development plan as it relates to the Property, the Developer’s financing plan, the Developer’s lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer’s development plan or the Developer’s financing plan, other loans of such Affiliates), which should be disclosed in the Official Statement for the purposes for which it is to be used in order

to make such statements and information contained in the Official Statement not misleading in any material respect.

3. For the period through 25 days after the "End of the Underwriting Period" as defined in the Bond Purchase Agreement (provided the Developer may assume the End of the Underwriting Period is the Closing Date (as defined in the Purchase Agreement), unless it receives written notice from the Underwriter that the End of the Underwriting Period is later than the Closing Date), if any event relating to or affecting the Developer, its Affiliates, the proposed development of the Property, ownership of the Property, the Developer's development plan, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) shall occur as a result of which it is necessary, in the opinion of the Underwriter, the District or counsel to the District, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it was delivered to a purchaser, the Developer shall reasonably cooperate with the District and the Underwriter in the preparation and publication of a supplement or amendment to the Official Statement, in form and substance satisfactory to the Underwriter and the District which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading.

The undersigned has executed this Closing Certificate solely in his or her capacity as an officer of the Developer and he or she will have no personal liability arising from or relating to this Closing Certificate. Any liability arising from or relating to this Closing Certificate may only be asserted against the Developer.

Developer,

EXHIBIT E

§ _____
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT
(IMPROVEMENT AREA NO. 1)
2018 SPECIAL TAX BONDS

CERTIFICATE OF SPECIAL TAX CONSULTANT

David Taussig & Associates, Inc. (“**Special Tax Consultant**”), Newport Beach, California was retained as Special Tax Consultant and assisted in the preparation of and has reviewed the Rate and Method of Apportionment Community Facilities District No. 4 (Terramor) of Temescal Valley Water District (the “**Rate and Method**”) set forth in Appendix A to the Official Statement dated _____, 2018 (the “**Official Statement**”) relating to the above-referenced bonds (the “**Bonds**”) being issued by Community Facilities District No. 4 (Terramor) of Temescal Valley Water District (the “**Issuer**” or the “**District**”). Based upon the Special Tax Consultant’s review of the Official Statement and such other documents as it deems relevant in the circumstances, the Special Tax Consultant hereby certifies that the Special Tax, if collected in the maximum amounts permitted under the Rate and Method, would generate at least 110% of the gross annual debt service on the Bonds, plus the Administrative Expenses Cap, provided that the annual debt service figures on the attached debt service schedule, which were relied upon by Special Tax Consultant, are substantially true and correct.

Although the Special Tax if collected in the maximum amounts under the Rate and Method will generate at least 110% of the gross annual debt service payable with respect to the Bonds, plus the Administrative Expenses Cap each year, no representation is made herein as to actual amounts that will be collected in future years.

All information with respect to the Rate and Method and all other information sourced to the Special Tax Consultant in the Official Statement is true and correct as of the date of the Official Statement and as of the date hereof, and a true and correct copy of the Rate and Method is attached to the Official Statement as Appendix A.

Dated: [Closing Date]

DAVID TAUSIG & ASSOCIATES, INC.

By: _____

EXHIBIT F

§ _____
**COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT
(IMPROVEMENT AREA NO. 1)
2018 SPECIAL TAX BONDS**

DISTRICT CLOSING CERTIFICATE

_____, the undersigned, hereby certify that I am the _____ of the Temescal Valley Water District (the “Water District”), the Board of Directors of which is the legislative body for Community Facilities District No. 4 (Terramor) of Temescal Valley Water District, (the “District”), a community facilities district duly organized and existing under the laws of the State of California (the “State”) and that as such, I am authorized to execute this Certificate on behalf of the Issuer in connection with the issuance of the above-referenced bonds (the “Bonds”).

I hereby further certify on behalf of the District that:

- (A) to my best knowledge, after reasonable inquiry, no litigation is pending with respect to which the Issuer has been served with process or threatened (1) to restrain or enjoin the issuance of any of the Bonds or the collection of Net Taxes pledged under the Indenture; (2) in any way contesting or affecting the authority for the issuance of the Bonds or the validity or enforceability of the Bonds or the District Documents; or (3) in any way contesting the existence or powers of the District;
- (B) the representations and warranties made by the District in the Bond Purchase Agreement dated _____, 2018, between the District and Piper Jaffray & Co. (the “Agreement”) are true and correct in all material respects on the Closing Date, with the same effect as if made on the Closing Date;
- (C) no event affecting the District has occurred since the date of the Official Statement that, as of the Closing Date, would cause any statement or information contained in the Official Statement under the captions “LITIGATION” to be incorrect or incomplete in any material respect or would cause the information contained under such caption in the Official Statement to contain an untrue statement of a material fact or omit to state a material fact necessary in order to make such statements therein, in the light of the circumstances under which they were made, not misleading;
- (D) as of the date hereof, the District Documents are in full force and effect in accordance with their terms and have not been amended, modified or supplemented except in such case as may have been agreed to by the Underwriter; and

(E) the District has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied under the District Documents prior to issuance of the Bonds.

Capitalized terms not defined herein shall have the same meaning set forth in the Agreement.

IN WITNESS WHEREOF, the undersigned has executed this certificate as of the date herein below set forth.

Dated: [Closing Date]

COMMUNITY FACILITIES DISTRICT NO. 4
(TERRAMOR) OF TEMESCAL VALLEY
WATER DISTRICT

By: _____
Name:
Title:

EXHIBIT G

**§ _____
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT
(IMPROVEMENT AREA NO. 1)
2018 SPECIAL TAX BONDS**

CERTIFICATE OF TRUSTEE

The undersigned hereby states and certifies that the undersigned is an authorized officer of Wilmington Trust Company, National Association, as trustee (the "Trustee") under that certain Bond Indenture, dated as of _____ 1, 2018 (the "Indenture"), by and between Community Facilities District No. 4 (Terramor) of Temescal Valley Water District (the "District") and the Trustee, relating to the above-captioned bonds (the "Bonds") and as such, is familiar with the following facts and is authorized and qualified to certify the following facts on behalf of the Trustee:

- (1) The Trustee is duly organized and existing as a national banking association under the laws of the United States of America, having the full power and authority to enter into and perform its duties under the Indenture.
- (2) The Indenture has been duly authorized, executed and delivered by the Trustee and the Bonds have been authenticated by a duly authorized representative of the Trustee in accordance with the Indenture.
- (3) There is no action, suit, proceeding or investigation, at law or in equity, before or by any court or governmental agency, public board or body pending against the Trustee or threatened against the Trustee which in the reasonable judgment of the Trustee would affect the existence of the Trustee or in any way contesting or affecting the validity or enforceability of the Indenture or contesting the powers of the Trustee or its authority to enter into and perform its obligation under the Indenture.

Capitalized terms not defined herein have the same meaning as is set forth in the Bond Purchase Agreement relating to the Bonds.

Dated: [Closing Date]

WILMINGTON TRUST COMPANY, NATIONAL
ASSOCIATION,
as Fiscal Agent

By _____
Authorized Officer

EXHIBIT H

**§ _____
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT
(IMPROVEMENT AREA NO. 1)
2018 SPECIAL TAX BONDS**

CERTIFICATE OF MUNICIPAL ADVISOR

The undersigned hereby states and certifies as follows:

- (1) The undersigned is an authorized officer of CSG Advisors, Incorporated., which has acted as municipal advisor (the “Municipal Advisor”) to Community Facilities District No. 4 (Terramor) of Temescal Valley Water District (the “District”) in connection with the issuance of the above-referenced bonds (the “Bonds”), and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same.
- (2) The Municipal Advisor has participated in the preparation of the Preliminary Official Statement dated _____, 2018 and the final Official Statement dated _____, 2018 (the “Official Statement”) relating to the Bonds.
- (3) Nothing has come to the attention of the Municipal Advisor which would lead it to believe that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Dated: [Closing Date]

CSG ADVISORS, INCORPORATED.,
as Municipal Advisor

By: _____
Authorized Officer

EXHIBIT I

**§ _____
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT
(IMPROVEMENT AREA NO. 1)
2018 SPECIAL TAX BONDS**

CERTIFICATE OF APPRAISER

The undersigned, on behalf of Kitty Siino & Associates, Inc. (the “Appraiser”), was retained by the Temescal Valley Water District as Appraiser in connection with the issuance by Community Facilities District No. 4 (Terramor) of Temescal Valley Water District of the above-captioned bonds and has prepared the Appraisal Report dated as of _____, 2018 (the “Appraisal”), and hereby certifies that:

1. No events or occurrences have been ascertained by the Appraiser or have come to the Appraiser’s attention that would materially change the opinions set forth in the Appraisal.

2. The Appraiser consents to the reproduction of the Appraisal as Appendix B to the Preliminary Official Statement dated _____, 2018 (the “Preliminary Official Statement”), and the Official Statement dated _____, 2018 (the “Official Statement”), and to the references to the Appraiser and the Appraisal made in the Preliminary Official Statement and the Official Statement.

3. The Appraisal attached to the Preliminary Official Statement and the Official Statement is a true and correct copy of such document.

4. The Appraiser has reviewed the Preliminary Official Statement and the Official Statement, and the statements concerning the Appraiser and the Appraisal contained in the Preliminary Official Statement and the Official Statement are true, correct and complete in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Dated: [Closing Date]

KITTY SIINO & ASSOCIATES, INC.

By: _____
Authorized Officer

DISTRICT CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated December __, 2018 (the “Disclosure Certificate”) is executed and delivered by Community Facilities District No. 4 (Terramor) of Temescal Valley Water District (the “District”) in connection with the issuance and delivery by the District of its \$_____ (Improvement Area No. 1) 2018 Special Tax Bonds (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted on November 27, 2018, by the Board of Directors of the Temescal Valley Water District, acting as the legislative body of the District, and the Bond Indenture dated as of December 1, 2018 by and between the District and Wilmington Trust, National Association, as trustee. The District covenants as follows:

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

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

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

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

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

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

“District” shall mean Community Facilities District No. 4 (Terramor) of Temescal Valley Water District.

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

“Improvement Area No. 1” shall mean Improvement Area No. 1 of the District.

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

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

“Official Statement” shall mean that certain Official Statement for the Bonds dated _____, 2018.

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

“Repository” shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the EMMA website of the MSRB, currently located at <http://emma.msrb.org>.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

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

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

“Water District” means the Temescal Valley Water District.

Section 3. Provision of Annual Reports.

(a) The District shall, or, if the Dissemination Agent is other than the District, upon written direction shall cause the Dissemination Agent to, not later than February 1 after the end of the District’s Fiscal Year (June 30) commencing with the report due by February 1, 2019, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District, if any exist, may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, the District shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

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

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

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

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

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

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

Section 4. Content of Annual Reports. The District's first Annual Report shall consist solely of the Official Statement. Thereafter, the Annual Report shall contain or include by reference the following:

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

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

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

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

(iii) any changes to the Rate and Method of Apportionment of the Special Taxes approved or submitted to the qualified electors of Improvement Area No. 1 for approval prior to the filing of the Annual Report;

(iv) an update of the estimated assessed value-to-lien ratio for Improvement Area No. 1 substantially in the form of Table 5 in the Official Statement based upon the most recent Special Tax levy preceding the date of the Annual Report and on the assessed values of property for the current fiscal year;

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

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

(vii) a description of the collection and delinquency rate of Special Taxes in Improvement Area No. 1 for the Fiscal Year then ended;

(viii) if Special Taxes are levied on Undeveloped Property, the amount of Special Taxes levied on Undeveloped Property and the amount of Special Taxes levied on Developed Property (as such terms are defined in the Rate and Method of Apportionment of the Special Taxes); and

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

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

Section 5. Reporting of Significant Events.

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

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

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

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

1. unless described in paragraph 5(a)(5) above, notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. the consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to

undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

3. appointment of a successor or additional paying agent or the change of the name of a paying agent;
4. nonpayment related defaults;
5. modifications to the rights of Owners of the Bonds;
6. bond calls; and
7. release, substitution or sale of property securing repayment of the Bonds.

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

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

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

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

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

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

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

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

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment related to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the formed accounting principles.

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

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

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. Where an entity other than the District is acting as the Dissemination Agent, the Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

District: Temescal Valley Water District
Community Facilities District No. 4 (Terramor)
22646 Temescal Canyon Road
Temescal Valley, California 92883
Attn: General Manager

Underwriter: Piper Jaffray & Co.
2321 Rosecrans Avenue, Suite 3200
El Segundo, CA 90245
Attn: Public Finance

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

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

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

COMMUNITY FACILITIES DISTRICT NO. 4
(TERRAMOR) OF TEMESCAL VALLEY WATER
DISTRICT

By: _____
Disclosure Representative

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 29, 2018

NEW ISSUE—BOOK-ENTRY-ONLY

NO RATING

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

\$22,815,000*

COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR) OF TEMESCAL VALLEY WATER DISTRICT (IMPROVEMENT AREA NO. 1) 2018 SPECIAL TAX BONDS

Dated: Delivery Date

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

This Official Statement describes bonds that are being issued by Community Facilities District No. 4 (Terramor) of Temescal Valley Water District (the "District"). The Community Facilities District No. 4 (Terramor) of Temescal Valley Water District (Improvement Area No. 1) 2018 Special Tax Bonds (the "Bonds") are being issued by the District to (a) pay costs of forming the District and Improvement Area No. 1 therein; (b) pay the cost and expense of the acquisition and construction of certain public facilities in connection with the development of Improvement Area No. 1 of the District; (c) fund a reserve account securing the Bonds; (d) pay a portion of the interest due on the Bonds through September 1, 2019; (e) fund certain Administrative Expenses of the District; and (f) pay costs of issuance of the Bonds.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 et seq. of the Government Code of the State of California), and pursuant to a resolution adopted by the Board of Directors of the Temescal Valley Water District (the "Water District"), acting as the legislative body of the District and a Bond Indenture, dated as of December 1, 2018 (the "Indenture"), by and between the District and Wilmington Trust, National Association, as trustee (the "Trustee").

The Bonds are limited obligations of the District and are payable solely from revenues derived from certain annual Special Taxes (as defined herein) to be levied on and collected from the owners of parcels within Improvement Area No. 1 of the District subject to the Special Taxes and from certain other funds pledged under the Indenture, all as further described herein. The Special Taxes are to be levied according to the rate and method of apportionment approved by the Board of Directors of the Water District and the qualified electors within Improvement Area No. 1 of the District. See "SOURCES OF PAYMENT FOR THE BONDS—Special Taxes." The Board of Directors of the Water District is the legislative body of the District.

The Bonds are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Bonds may be made in principal amounts of \$5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. Interest on the Bonds will be payable semiannually on each March 1 and September 1, commencing March 1, 2019. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein. Principal of and interest on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS—General Provisions" and APPENDIX I—"BOOK-ENTRY ONLY SYSTEM" herein.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE WATER DISTRICT, THE COUNTY OF RIVERSIDE, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET TAXES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE WATER DISTRICT OR GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES TO BE LEVIED IN IMPROVEMENT AREA NO. 1 OF THE DISTRICT AND CERTAIN OTHER AMOUNTS HELD UNDER THE BOND INDENTURE AS MORE FULLY DESCRIBED HEREIN.

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

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

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

MATURITY SCHEDULE (See Inside Cover Page)

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and subject to certain other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California is serving as Disclosure Counsel to the District with respect to the Bonds. Certain legal matters will be passed on for the Water District and the District by Clayson, Bainer & Saunders, PLC, Corona, California, and for the Underwriter by its counsel, Best Best & Krieger LLP, Riverside, California. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about December 17, 2018.

[PIPER JAFFRAY LOGO]

Dated: _____, 2018

* Preliminary, subject to change.

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

\$22,815,000*
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT
(IMPROVEMENT AREA NO. 1)
2018 SPECIAL TAX BONDS

MATURITY SCHEDULE

Base CUSIP No.†: _____

Serial Bonds

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP No.†</i>
---	------------------------------------	-----------------------------	---------------------	---------------------	--------------------------

Term Bonds

\$ _____ % Term Bonds due September 1, 20 __, Yield: _____ % Price: _____ CUSIP No. † _____

\$ _____ % Term Bonds due September 1, 20 __, Yield: _____ % Price: _____ CUSIP No. † _____

* Preliminary, subject to change.

† CUSIP® Copyright 2018, American Bankers Association. CUSIP® data in this Official Statement is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers' Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. None of the Water District, the District or the Underwriter or its counsel takes any responsibility for the accuracy of CUSIP data in this Official Statement. The CUSIP® number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**TEMESCAL VALLEY WATER DISTRICT
COUNTY OF RIVERSIDE**

**BOARD OF DIRECTORS
Serving as the Legislative Body of
Community Facilities District No. 4 (Terramor)
of Temescal Valley Water District**

C.W. Colladay, President
Paul Rodriguez, Vice President/Secretary/Treasurer
Grant E. Destache
John Butler
David Harich

WATER DISTRICT OFFICIALS

Jeff Pape, General Manager
Mel McCullough, Finance Manager

BOND COUNSEL AND DISCLOSURE COUNSEL

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

MUNICIPAL ADVISOR

CSG Advisors, Incorporated
San Francisco, California

SPECIAL TAX CONSULTANT

David Taussig & Associates, Inc.
Newport Beach, California

REAL ESTATE APPRAISER

Kitty Siino, MAI
Tustin, California

TRUSTEE

Wilmington Trust, National Association
Costa Mesa, California

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

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

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

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

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

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption “THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1” and “OWNERSHIP AND DEVELOPMENT OF IMPROVEMENT AREA NO. 1.”

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

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

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

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[INSERT COLOR REGIONAL MAP HERE]

[INSERT AERIAL PHOTO HERE]

\$22,815,000*
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT
(IMPROVEMENT AREA NO. 1)
2018 SPECIAL TAX BONDS

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the table of contents and the appendices (collectively, the “Official Statement”), is to provide certain information concerning the issuance by Community Facilities District No. 4 (Terramor) of Temescal Valley Water District (the “District”) of its (Improvement Area No. 1) 2018 Special Tax Bonds (the “Bonds”) in the aggregate principal amount of \$22,815,000*. The proceeds of the Bonds will be used to (a) pay costs of forming the District and Improvement Area No. 1 therein; (b) pay the cost and expense of acquisition and construction of certain public facilities in connection with the development of Improvement Area No. 1 of the District; (c) fund a reserve account securing the Bonds; (d) pay a portion of the interest due on the Bonds through September 1, 2019; (e) fund certain Administrative Expenses of the District; and (f) pay costs of issuance of the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS.”

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the “Act”), and pursuant to a resolution adopted by the Board of Directors of the Temescal Valley Water District (the “Board of Directors”), acting as the legislative body of the District, on November 27, 2018 and a Bond Indenture dated as of December 1, 2018 (the “Indenture”), by and between the District and Wilmington Trust, National Association, as trustee (the “Trustee”).

The Bonds are secured under the Indenture by a pledge of and lien upon Net Taxes (as defined herein) levied on parcels within Improvement Area No. 1 of the District and all moneys in the Special Tax Fund as described in the Indenture. See “SOURCES OF PAYMENT FOR THE BONDS.”

The Bonds are being issued and delivered pursuant to the provisions of the Act and the Indenture. For more complete information, see “THE BONDS—General Provisions” herein.

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

The District

General. The District is located in the central part of the Water District’s service area, northeast of Interstate 15 at Temescal Canyon Road and Terramor Drive in unincorporated Riverside County. The District currently consists only of Improvement Area No. 1, though additional improvement areas are expected to be annexed into the District in the future. In the aggregate, these improvement areas will constitute the master planned community of “Terramor.” Terramor will include four developed parks on approximately 22 acres, 540 acres of open space with trails, and two resort-like club houses, both of which include pools.

* Preliminary, subject to change.

Improvement Area No. 1 is the first phase of Terramar. Forestar Toscana Development Company, a Delaware corporation (the “Developer”) is the master developer of the property in Improvement Area No. 1 of the District. There are four merchant builders constructing homes within Improvement Area No. 1: KB Home California, LLC, a Delaware limited liability company (“KB Home”), Terramor 83, LLC, a California limited liability company (“Van Daele”), CalAtlantic Group, Inc., a Delaware corporation (“CalAtlantic”) and Pulte Home Company, a Michigan limited liability company (“Pulte”). See “OWNERSHIP AND DEVELOPMENT OF IMPROVEMENT AREA NO. 1.”

The District is expected to include additional improvement areas in the future, which are expected to be similarly developed by the Developer. Special taxes collected within those future improvement areas are not pledged nor will they be available to pay debt service on the Bonds.

Formation Proceedings. The District and Improvement Area No. 1 were formed by the Water District pursuant to the Act and the District constitutes a governmental entity separate and apart from the Water District.

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

Pursuant to the Act, on September 27, 2016, the Board of Directors of the Water District adopted a resolution (the “Resolution of Intention”), stating its intention to form the District, and Improvement Area No. 1 therein, and to authorize the levy of a special tax on the taxable property within Improvement Area No. 1. On September 27, 2016 the Board of Directors of the Water District also adopted a resolution, stating its intention to incur bonded indebtedness in an aggregate principal amount not to exceed \$28,000,000 for the purpose of financing the acquisition, construction, expansion, improvement, or rehabilitation of certain public facilities to serve the area within the District and its neighboring areas. See “THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1—Description of Authorized Facilities.”

Subsequent to a noticed public hearing, the Board of Directors of the Water District adopted resolutions which established the District and Improvement Area No. 1 therein, authorized the levy of a special tax within the District and Improvement Area No. 1, determined the necessity to incur bonded indebtedness within the District, and called an election within the District on the proposition of incurring bonded indebtedness, levying a special tax and setting an appropriations limit within the District.

On November 22, 2016, an election was held within Improvement Area No. 1 at which the landowners eligible to vote approved the issuance of bonds for the benefit of Improvement Area No. 1 in an amount not to exceed \$28,000,000. At the same election, the eligible landowners approved a rate and method of apportionment of special tax for Improvement Area No. 1 of the District (the “Rate and Method”). A copy of the Rate and Method is attached hereto as Appendix A.

Property Ownership and Development Status

The entire Terramor Community is planned for 1,443 proposed homes; however, the development within Improvement Area No.1 is planned for 598 proposed single family homes divided into six neighborhoods. The balance of the property within Improvement Area No. 1 is anticipated to be used for recreational facilities, parks and open space. Of the 598 proposed single family homes, only the 170 units being developed by KB Home will be market rate units, while the remaining 428 units are being developed as age-qualified units.

The majority of the property planned for residential development in the six residential neighborhoods has been conveyed to merchant builders or individual homeowners: (i) KB Home is developing the Sorrel and Caraway neighborhoods; (ii) Van Daele is developing the Oakton neighborhood; (iii) CalAtlantic and Pulte are developing the Sterling neighborhood; and (iv) Pulte is developing the Ardena and Cortina neighborhoods. As of August 22, 2018, the Developer owned only 171 of the 598 lots within Improvement No. 1. The remaining lots owned by the Developer are expected to be acquired by Van Daele and Pulte pursuant to various agreements. See “OWNERSHIP AND DEVELOPMENT IN IMPROVEMENT AREA NO. 1 – Property Ownership in Improvement Area No. 1.”

The area included in Improvement Area No. 1 has been graded and the majority of the major infrastructure (sewer, water, storm drains, utilities, and arterial roads) to be installed by the Developer has been substantially completed. As of August 22, 2018, 105 fully completed homes had been conveyed to individual homeowners, 35 homes were substantially complete (over 95% built), 72 homes were under construction, 303 lots were in finished condition and 83 lots were in partially finished condition. As of November 1, 2018, an additional 15 homes had been conveyed to individual homeowners. See “OWNERSHIP AND DEVELOPMENT OF IMPROVEMENT AREA NO. 1” herein.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as a “plan,” “expect,” “estimate,” “project,” “budget” or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the captions “THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1,” “OWNERSHIP AND DEVELOPMENT OF IMPROVEMENT AREA NO. 1” and APPENDIX B—“APPRAISAL REPORT.”

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

Sources of Payment for the Bonds

General. The Bonds and any Parity Bonds are limited obligations of the District, and the interest on and principal of and redemption premiums, if any, on the Bonds and any Parity Bonds are payable solely from the Special Taxes to be levied annually against the property in Improvement Area No. 1 of the District, or, to the extent necessary, from the moneys on deposit in the Reserve Account. As described herein, the Special Taxes are collected along with *ad valorem* property taxes on the tax bills mailed by the Treasurer-Tax Collector of the County of Riverside (the “County”). Although the Special Taxes will constitute a lien on the property subject to taxation in Improvement Area No. 1, they will not constitute a personal indebtedness of the owners of such property. There is no assurance that such owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if they are financially able to do so.

Limited Obligations. Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds and any Parity Bonds. The Bonds and any Parity Bonds are not general or special obligations of the Water District nor general obligations of the District, but are special obligations of the District payable solely

from Special Taxes collected in Improvement Area No. 1 and amounts held under the Indenture as more fully described herein.

Special Tax. As used in this Official Statement, the term “Special Tax” is that tax which has been authorized pursuant to the Act to be levied against certain land within Improvement Area No. 1 of the District pursuant to the Act and in accordance with the Rate and Method. See “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes” and APPENDIX A—“RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” Under the Indenture, the District will pledge to repay the Bonds and any Parity Bonds from the Special Tax revenues remaining after the payment of certain annual Administrative Expenses of the District (the “Net Taxes”) and from amounts on deposit in the Special Tax Fund established under the Indenture.

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

Special Taxes within Improvement Area No. 1 were levied for the first time in Fiscal Year 2018-19.

Foreclosure Proceeds. The District will covenant for the benefit of the owners of the Bonds and Parity Bonds that it (i) will commence judicial foreclosure proceedings against parcels with aggregate delinquent Special Taxes (including prior years) in excess of \$5,000 or more as of the October 1 following the close of each Fiscal Year in which such Special Taxes were due, (ii) will commence judicial foreclosure proceedings against parcels owned by any single owner with delinquent Special Taxes in the aggregate amount (including prior years) of \$5,000 or more, (iii) will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes regardless of delinquent amount 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 less than the Reserve Requirement, and (iv) will diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as the amount in the Reserve Account is at least equal to the Reserve Requirement. The District may treat any delinquent Special Tax sold to an independent third-party or to any funds of the Water District for at least 100% of the delinquent amount as having been paid. Proceeds of any such sale up to 100% of the delinquent amount will be deposited in the Special Tax Fund.

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

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

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

Parity Bonds and Liens. Under the terms of the Indenture, the District may issue additional bonds secured by the Net Taxes on a parity with the Bonds (“Parity Bonds”) if certain conditions are met; provided, however, that Parity Bonds may only be issued for the purpose of refunding the Bonds or other Parity Bonds. See “SOURCES OF PAYMENT FOR THE BONDS—Issuance of Parity Bonds.” Parity Bonds may be issued by means of a supplemental indenture and without any requirement for the consent of any Bond owners. See APPENDIX E—“SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE—DEFEASANCE AND PARITY BONDS.” Other taxes and/or special assessments with liens equal in priority to the continuing lien of the Special Taxes have been levied and may also be levied in the future on the property within Improvement Area No. 1 which could adversely affect the willingness of the landowners to pay the Special Taxes when due. See “SPECIAL RISK FACTORS—Parity Taxes and Special Assessments” herein.

Appraisal Report

An MAI appraisal of the land and existing improvements within Improvement Area No. 1 (the “Appraisal Report”) was prepared by Kitty Siino, MAI, Tustin, California (the “Appraiser”). The Appraisal Report is dated November 6, 2018. See APPENDIX B—“APPRAISAL REPORT.” The Appraisal Report provides an estimate of the minimum market value of the property in Improvement Area No. 1 of the District, assuming development of the property as currently planned. As currently planned, development in Improvement Area No. 1 of the District will consist of 598 residential units. As of August 22, 2018, the Appraiser estimates that the minimum market value of all of the taxable parcels within Improvement Area No. 1 of the District subject to the Special Tax was \$143,910,489.

The Appraisal Report is based upon a variety of assumptions and limiting conditions that are described in Appendix B. None of the Water District, the District nor the Underwriter makes any representations as to the accuracy of the Appraisal Report. See “THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1—Appraisal Report” and “—Appraised Value-to-Lien Ratios.” There is no assurance that property within Improvement Area No. 1 can be sold for the prices set forth in the Appraisal Report or that any parcel can be sold for a price sufficient to pay the Special Tax for that parcel in the event of a default in payment of Special Taxes by the land owner. See “THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1,” “SPECIAL RISK FACTORS—Land Values” and APPENDIX B—“APPRAISAL REPORT” herein.

Description of the Bonds

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

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

The Bonds are subject to redemption as described herein. See “THE BONDS—Redemption.” For a more complete description of the Bonds and the basic documentation pursuant to which they are being sold and

delivered, see “THE BONDS” and APPENDIX E—“SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE” herein.

Professionals Involved in the Offering

Wilmington Trust, National Association, Costa Mesa, California, will act as Trustee under the Indenture. Piper Jaffray & Co. will serve as the underwriter (the “Underwriter”) of the Bonds. Certain proceedings in connection with the issuance and delivery of the Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel and Disclosure Counsel to the District in connection with the issuance of the Bonds. Certain legal matters will be passed on for the District and the Water District by Clayson, Bainer & Saunders, PLC, Corona, California, for the Underwriter by Best, Best & Krieger LLP, Riverside, California, as counsel to the Underwriter, and for the Trustee by its counsel. Other professional services have been performed by Kitty Siino, MAI, Tustin, California, as the Appraiser, CSG Advisors, Incorporated, San Francisco, California, as Municipal Advisor to the Water District and the District, David Taussig & Associates, Inc., Newport Beach, California, as Special Tax Consultant, and Willdan Financial Services, Temecula, California, as initial dissemination agent under the Continuing Disclosure Agreement of KB Home, dated as of December 1, 2018, by and between Willdan Financial Services and KB Home (the “KB Home Continuing Disclosure Agreement”), and as initial dissemination agent under the Continuing Disclosure Agreement of Pulte, dated as of December 1, 2018, by and between Willdan Financial Services and Pulte (the “Pulte Continuing Disclosure Agreement”).

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

Continuing Disclosure

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

The Underwriter does not consider any of the Developer or any of the merchant builders to be an “obligated person” with respect to the Bonds for purposes of the Rule. However, to assist in the marketing of the Bonds, the Developer, KB Home and Pulte have agreed to provide, or cause to be provided on EMMA, updated information with respect to their development within Improvement Area No. 1 (collectively, the “Developer Reports” and together with the District Reports, the “Reports”), on a semiannual basis and notices of certain events until such undertaking is terminated in accordance with a Continuing Disclosure Certificate of the Developer, executed by the Developer in connection with the issuance of the Bonds (the “Developer Continuing Disclosure Certificate”), the KB Home Continuing Disclosure Agreement and the Pulte Continuing Disclosure Agreement, respectively.

See “CONTINUING DISCLOSURE” herein and Appendices F through H hereto for a description of the specific nature of the Reports to be filed by the District, the Developer, KB Home and Pulte, and notices of Listed Events and a copy of the continuing disclosure undertakings pursuant to which such Reports are to be made.

Bond Owners' Risks

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

Other Information

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

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

Copies of the Indenture and other documents and information are available for inspection and (upon request and payment to the District of a charge for copying, mailing and handling) for delivery from the Water District at 22646 Temescal Canyon Road, Temescal Valley, California 92883.

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	\$
[Plus/Less] Net Original Issue [Premium/Discount]	
Total Sources	<u>\$</u>

Uses of Funds:

Acquisition and Construction Fund ⁽¹⁾	\$
Costs of Issuance ⁽²⁾	
Interest Account of Special Tax Fund ⁽³⁾	
Administrative Expense Fund ⁽⁴⁾	
Reserve Account	
Total Uses	<u>\$</u>

⁽¹⁾ Acquisition and Construction Fund includes the Project Facilities Account, the County Facilities Account and the Water Conservation District Facilities Account.

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

⁽³⁾ Used to pay a portion of the interest due on the Bonds through September 1, 2019.

⁽⁴⁾ Used to fund certain Administrative Expenses of the District for Fiscal Year 2018-19.

Source: The Underwriter.

THE BONDS

General Provisions

The Bonds will be dated as of their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, payable semiannually on each March 1 and September 1, commencing on March

1, 2019 (each, an “Interest Payment Date”), and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement.

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

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

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

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

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

Debt Service Schedule

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

<i>Date (September 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2019		(1)	
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
Total			

(1) To be paid in part from capitalized interest.
Source: The Underwriter.

Redemption*

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

* Preliminary, subject to change.

<i>Redemption Dates</i>	<i>Redemption Price</i>
September 1, _____ through August 31, _____	103%
September 1, _____ through August 31, _____	102
September 1, _____ through August 31, _____	101
September 1, _____ and any date thereafter	100

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

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

<i>Redemption Dates</i>	<i>Redemption Price</i>
Interest Payment Dates to and including March 1, 2026	103%
September 1, 2026 and March 1, 2027	102
September 1, 2027 and March 1, 2028	101
September 1, 2028 and each Interest Payment Date thereafter	100

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

Prepayments could be made by any of the owners of any of the property within Improvement Area No. 1, including the Developer, any of the merchant builders or any individual owner; and they could also be made from the proceeds of bonds issued by or on behalf of an over-lapping special assessment district or community facilities district. The resulting redemption of Bonds that were purchased at a price greater than the applicable redemption price could reduce the otherwise expected yield on such Bonds.

Mandatory Sinking Fund Redemption. The Term Bonds maturing on September 1, 20__ (the “20__ Term Bonds”) shall be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Principal Account, on September 1, 20__, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 20__ Term Bonds so called for redemption shall be selected by the Trustee by lot and shall be redeemed at a redemption price for each redeemed Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

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

Sinking Fund Payments

(maturity)

The Term Bonds maturing on September 1, 20__ (the “20__ Term Bonds”) shall be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Principal Account, on September 1, 20__, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 20__ Term Bonds so called for redemption shall be selected by the Trustee by lot and shall be redeemed at a redemption price for each redeemed Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

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

Sinking Fund Payments

(maturity)

In the event of a partial optional redemption or extraordinary redemption of 20__ Term Bonds or 20__ Term Bonds, each of the remaining Sinking Fund Payments for such Term Bonds will be reduced, as nearly as practicable, on a pro rata basis, in integral multiples of \$5,000, as directed by an Authorized Representative of the District.

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

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

So long as notice of redemption has been provided as set forth in the Indenture, the actual receipt by the owner of any Bond of notice of such redemption is not a condition precedent to redemption, and neither the

failure to receive such notice nor any defect therein will affect the validity of the proceedings for redemption of such Bonds or the cessation of interest on the date fixed for redemption.

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

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

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

Registration, Transfer and Exchange

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

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

SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

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

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

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE WATER DISTRICT, THE COUNTY OF RIVERSIDE, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET TAXES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE

BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE WATER DISTRICT OR GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES TO BE LEVIED IN IMPROVEMENT AREA NO. 1 AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED HEREIN.

Special Taxes

Authorization and Pledge. In accordance with the provisions of the Act, the Water District established the District, and Improvement Area No. 1 therein, on November 22, 2016 for the purpose of financing the various public improvements required in connection with the proposed development within the District. On November 22, 2016, an election was held within Improvement Area No. 1 of the District at which the landowners eligible to vote approved the issuance of bonds for Improvement Area No. 1 of the District in an amount not to exceed \$28,000,000, secured by special taxes levied on property within Improvement Area No. 1 of the District to finance the Facilities (as defined herein). The landowners within Improvement Area No. 1 of the District also voted to approve the Rate and Method which authorized the Special Tax to be levied to repay indebtedness issued for the benefit of Improvement Area No. 1 of the District, including the Bonds.

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

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

The “Net Taxes” pledged by the District to the Bonds (and any Parity Bonds) is defined in the Indenture as the “Gross Taxes” minus amounts permitted to be set aside prior to the payment of the principal of and interest on the Bonds and Parity Bonds in order to pay Administrative Expenses up to the Administrative Expenses Cap. The Administrative Expenses Cap shall be \$45,000 per year.

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

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

- (1) The Administrative Expense Fund an amount up to the Administrative Expenses Cap;
- (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.

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

The Special Taxes levied in any fiscal year may not exceed the maximum rates authorized pursuant to the Rate and Method. Special Taxes within Improvement Area No. 1 were levied for the first time in Fiscal Year 2018-19 in the amount of \$443,036. See APPENDIX A—“RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto. There is no assurance that the Special Tax proceeds will, in all circumstances, be adequate to pay the principal of and interest on the Bonds when due. See the caption “*Limitation on Special Tax Levy and Potential Impact on Coverage*” below and “SPECIAL RISK FACTORS—Insufficiency of Special Taxes” herein.

Rate and Method of Apportionment of Special Tax. The District is legally authorized and has covenanted to cause the levy of the Special Taxes in an amount determined according to a methodology, *i.e.*, the Rate and Method which the Board and the electors within Improvement Area No. 1 have approved. The Rate and Method apportions the total amount of Special Taxes to be collected among the taxable parcels in Improvement Area No. 1 as more particularly described below.

The following is a synopsis of the provisions of the Rate and Method for Improvement Area No. 1, which should be read in conjunction with the complete text of the Rate and Method which is attached as APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” Unless otherwise defined herein, the meaning of the defined terms used in this section are as set forth in APPENDIX A. This section provides only a summary of the Rate and Method, and is qualified by more complete and detailed information contained in the entire Rate and Method attached as APPENDIX A.

The Special Tax was first levied in Fiscal Year 2018-19. The Special Taxes are only expected to be levied in an amount needed to pay the debt service due on the Bonds, plus estimated annual Administrative Expenses. No assurances can be made that Special Taxes will be collected in an amount required to make the debt service payments on the Bonds. See “SPECIAL RISK FACTORS — Special Tax Delinquencies” and “— Insufficiency of Special Taxes.”

The following is a summary of the salient provisions of the Rate and Method, as applicable to Improvement Area No. 1.

Classification of Parcels. For each Fiscal Year all Assessor’s Parcels within Improvement Area No. 1 shall be classified by Zone and as Developed Property, Approved Property, Taxable Public Property, Taxable Property Owner Association Property or Undeveloped Property and shall be subject to the levy of Special Taxes in accordance with the Rate and Method.

Parcels of Developed Property in the District shall be assigned to the appropriate Land Use Class, as listed in the tables below.

Maximum Special Tax Rates.

Developed Property. The Maximum Special Tax for each Assessor's Parcel of Developed Property within a particular Zone shall be the greater of (i) the amount derived by application of the Assigned Special Tax, or (ii) the amount derived by application of the Backup Special Tax. The Assigned Special Tax for each Land Use Class within each Zone is shown in the following tables.

**Assigned Special Tax Rates for Developed Property
Zone A (Market Rate Units)**

<i>Land Use Category</i>	<i>Description</i>	<i>Residential Floor Space</i>	<i>Assigned Special Tax Rate</i>
1	Residential Property	> 2,300 s.f.	\$3,183 per unit
2	Residential Property	2,151 – 2,300 s.f.	\$3,094 per unit
3	Residential Property	2,001 – 2,150 s.f.	\$2,977 per unit
4	Residential Property	1,851 – 2,000 s.f.	\$2,888 per unit
5	Residential Property	< 1,850 s.f.	\$2,799 per unit
6	Non-Residential Property	NA	\$29,636 per Acre

**Assigned Special Tax Rates for Developed Property
Zone B (Age-Qualified Units)**

<i>Land Use Category</i>	<i>Description</i>	<i>Residential Floor Space</i>	<i>Assigned Special Tax Rate</i>
1	Residential Property	> 2,599 s.f.	\$2,921 per unit ⁽¹⁾
2	Residential Property	2,300 – 2,599 s.f.	\$2,703 per unit ⁽¹⁾
3	Residential Property	1,900 – 2,299 s.f.	\$2,502 per unit
4	Residential Property	1,601 – 1,899 s.f.	\$2,115 per unit
5	Residential Property	< 1,601 s.f.	\$1,986 per unit
6	Non-Residential Property	NA	\$16,532 per Acre

⁽¹⁾ Reflects the Assigned Special Tax rate, as reduced pursuant to Section J of the Rate and Method.

Backup Special Tax

The Backup Special Tax for Developed Property shall be \$29,636 per Acre in Zone A and \$16,145 per Acre in Zone B (after such Backup Special Tax for Developed Property in Zone B is reduced pursuant to Section J of the Rate and Method).

Approved Property, Taxable Property Owner Association Property, Taxable Public Property and Undeveloped Property. The Maximum Special Tax for each Assessor's Parcel of Approved Property, Taxable Property Owner Association Property, Taxable Public Property or Undeveloped Property shall be \$29,636 per Acre in Zone A and \$16,532 per Acre in Zone B.

Reduction of Assigned Special Tax Rates. Pursuant to Section J of the Rate and Method, if the Total Effective Tax Rate for any Plan Type in a Land Use Class is greater than 2.00% for property in Zone A or 1.75% for property in Zone B, then the Assigned Special Tax rate for such Land Use Class shall be reduced such that the Total Effective Tax Rate shall be less than 2.00% or 1.75%, as applicable. Based on the estimated property taxes and assessments levied against the parcels within Improvement Area No. 1, the Assigned Special Tax rate for Land Use Classes 1 and 2 in Zone B will be reduced at the time the Bonds are issued from that which is set forth in the Rate and Method to the amounts set forth in the table above and will be levied at the reduced rate beginning in Fiscal Year 2019-20.

Reduction of Backup Special Tax. Pursuant to Section J of the Rate and Method, if the Assigned Special Tax for any Land Use Class in a Zone is reduced, then the Backup Special Tax for all property within such Zone shall also be reduced. Because the Assigned Special Tax rate for Land Use Classes 1 and 2 in Zone B will be reduced, the Backup Special Tax for Zone B will also be reduced at the time the Bonds are issued from that which is set forth in the Rate and Method to the amount set forth above and such reduced Backup Special Tax shall be applicable beginning in Fiscal Year 2019-20.

Method of Apportionment and Levy of the Special Tax. For each Fiscal Year, the District shall determine the Special Tax Requirement and shall levy the Special Tax 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 Assigned Special Tax Rate to satisfy the Special Tax Requirement.

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the Maximum Special Tax for Approved Property.

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property.

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the Special Tax to be levied on each Assessor's Parcel of Developed Property whose Maximum Special Tax is determined by application of the Backup Special Tax, shall be increased in equal percentages from the applicable Assigned Special Tax Rate up to 100% of the Maximum Special Tax for each such Assessor's Parcel.

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Other Taxable Property at up to 100% of the Maximum Special Tax for Other Taxable Property.

Notwithstanding the above, pursuant to Section 53321(d) of the Act, under no circumstances will the Special Tax levied in any Fiscal Year against any Assessor's Parcel for which an occupancy permit for private residential use has been issued be increased as a consequence of delinquency or default by the owner or owners of any other Assessor Parcel(s) within the District by more than 10% above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults.

Exemptions. The District shall not levy Special Taxes on: (i) Property Owner Association Property or Public Property in Zones A and B provided that an Assessor's Parcel shall not be exempt and shall be classified as Taxable Property Owner Association Property and Taxable Public Property if exempting such property would reduce the sum of all Taxable Property to less than the minimum taxable Acreage amounts shown in the table below and (ii) any Parcels for which the obligation to pay the Special Tax has been prepaid in full pursuant to the Rate and Method.

<i>Zone</i>	<i>Minimum Taxable Acreage</i>
A	18.15 Acres
B	69.37 Acres

Term of Special Tax. The Special Tax shall be levied for the period necessary to fully satisfy the Special Tax Requirement, but in no event shall it be levied after Fiscal Year 2055-56.

Maximum Special Tax Capacity. The Special Taxes are only expected to be levied in an amount needed to pay the debt service due on the Bonds, plus estimated annual Administrative Expenses. Though the District has the ability to increase the Special Tax levy to account for delinquencies, pursuant to Section 53321(d) of the Act, under no circumstances will the Special Tax levied in any Fiscal Year against any Assessor's Parcel for which an occupancy permit for private residential use has been issued be increased as a consequence of delinquency or default by the owner or owners of any other Assessor Parcel(s) within the District by more than 10% above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults. As a result, it is possible that the District may not be able to increase the tax levy to the Assigned Special Tax in all years. However, subject to the limitations on the District's ability to levy the necessary amount of Special Taxes as imposed by Section 53321(d) of the Act, the District can levy Special Taxes on Undeveloped Property to make-up all or a portion of any shortfall in the Special Tax levy.

Prepayment of Annual Special Taxes. The Special Tax obligation for an Assessor's Parcel may be prepaid, either in full or in part, in accordance with formulas set forth in the Rate and Method. See APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX — Section H.”

Estimated Debt Service Coverage. Pursuant to the Rate and Method, and subject to the Maximum Special Taxes prescribed therein and permitted by the Act, the District will only levy Special Taxes in an amount sufficient to achieve the Special Tax Requirement. The Bonds have been sized so that Special Taxes will be levied in each Fiscal Year to produce an amount equal to at least 110% of the debt service due on the Bonds in such Fiscal Year plus Administrative Expenses of \$45,000.

Limitation on Special Tax Levy and Potential Impact on Coverage. Pursuant to Section 53321(d) of the Act, the special tax levied against any Assessor’s parcel for which an occupancy permit for private residential use has been issued shall not be increased as a consequence of delinquency or default by the owner of any other Assessor’s parcel within Improvement Area No. 1 by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. As a result, it is possible that the District may not be able to increase the tax levy to the Assigned Special Tax in all years. However, subject to the limitations on the District’s ability to levy the necessary amount of Special Taxes as imposed by Section 53321(d) of the Government Code, the District can levy Special Taxes on Undeveloped Property to make-up all or a portion of any shortfall in the Special Tax levy.

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

The County assesses and collects secured and unsecured property taxes for the cities, school districts, and special districts within the County, including the Special Taxes for Improvement Area No. 1 of the District. The delinquency dates for property tax payments are December 10 for the first installment and April 10 for the second installment. Once the property taxes are collected, the County conducts its internal reconciliation for accounting purposes and distributes the District’s share of such taxes (including the Special Taxes) to the City, periodically and typically pursuant to a published schedule. Prior to distribution, the moneys are deposited in an account established on behalf of the District in the Riverside County Investment Pool (the “Pool”) which is invested by the County Treasurer. If the County or the Pool were at any time to become subject to bankruptcy proceedings, it is possible that District property taxes held in the Pool (including the Special Taxes), if any, could be temporarily unavailable to the County. The District does not participate in the County’s Teeter Plan, which is an alternate method for allocating property taxes by counties. Accordingly, the collection of Special Taxes is subject to delinquencies.

Special Taxes within Improvement Area No. 1 were levied for the first time in Fiscal Year 2018-19. See “THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1—Special Tax History.”

The District will make certain covenants in the Indenture for the purpose of ensuring that the current maximum Special Tax rates and method of collection of the Special Taxes are not altered in a manner that would impair the District’s ability to collect sufficient Special Taxes to pay debt service on the Bonds and Administrative Expenses when due. First, the District will covenant that, to the extent it is legally permitted to do so, it will not reduce the maximum Special Tax rates and will oppose the reduction of maximum Special Tax rates by initiative where such reduction would reduce the maximum Special Taxes below current levels unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, among other things, on the basis of the parcels of land and improvements existing in Improvement Area No. 1 of the District as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property (as defined in the Rate and Method then in effect in Improvement Area No. 1) in each Bond Year for any Bonds and Parity

Bonds Outstanding will equal at least the sum of the estimated Administrative Expenses and 110% of gross debt service in each Bond Year on all Bonds and Parity Bonds to remain Outstanding after the reduction is approved, (ii) the District finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds and Parity Bonds, and (iii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds. For purposes of estimating Administrative Expenses for the foregoing calculation, the Independent Financial Consultant shall assume Administrative Expenses equal to the Administrative Expenses Cap (\$45,000 per year).

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

Although the Special Taxes constitute liens on taxed parcels within Improvement Area No. 1, they do not constitute a personal indebtedness of the owners of property within Improvement Area No. 1 of the District. In addition to the obligation to pay Special Taxes, properties in Improvement Area No. 1 of the District are subject to other assessments and special taxes as set forth under Table 4 herein. See “THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1—Direct and Overlapping Indebtedness.” These other special taxes and assessments are co-equal to the lien for the Special Taxes. Moreover, other liens for taxes and assessments could come into existence in the future in certain situations without the consent or knowledge of the Water District or the landowners in Improvement Area No. 1 of the District. See “SPECIAL RISK FACTORS—Parity Taxes and Special Assessments” herein. There is no assurance that property owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if financially able to do so, all as more fully described in the section of this Official Statement entitled “SPECIAL RISK FACTORS.”

Proceeds of Foreclosure Sales. The proceeds of delinquent Special Taxes received following a judicial foreclosure sale of parcels within Improvement Area No. 1 of the District resulting from a landowner’s failure to pay the Special Taxes when due, up to the amount of the delinquent Special Tax lien, are included within the Special Tax revenues pledged to the payment of principal and interest on the Bonds under the Indenture.

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax or receipt by the District of Special Taxes in an amount which is less than the Special Tax levied, the Board of Directors of the Water District, as the legislative body of the District, may order that Special Taxes be collected by a superior court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory. However, the District will covenant for the benefit of the Owners of the Bonds that it (i) will commence judicial foreclosure proceedings against parcels with aggregate delinquent Special Taxes (including prior years) in excess of \$5,000 or more as of the October 1 following the close of each Fiscal Year in which such Special Taxes were due, (ii) will commence judicial foreclosure proceedings against parcels owned by any single owner with delinquent Special Taxes in the aggregate amount (including prior years) of \$5,000 or more, (iii) will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes regardless of delinquent amount 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 less than the Reserve Requirement, and (iv) will diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as the amount in the Reserve Account is at least equal to the Reserve Requirement. The District may, but shall not be obligated to, advance funds from any source of legally available funds in order to maintain the Reserve Account. The District may treat any delinquent Special Tax sold to an independent third-party or to any funds of the Water District for at least 100% of the delinquent amount as having been paid. Proceeds of any such sale up to 100% of the delinquent amount will be deposited in the Special Tax Fund.

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

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

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

No Teeter Plan

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

Reserve Account of the Special Tax Fund

In order to secure further the payment of principal of and interest on the Bonds, the District is required, upon delivery of the Bonds, to deposit in the Reserve Account an amount equal to the Reserve Requirement and thereafter to maintain in the Reserve Account an amount equal to the Reserve Requirement. The Indenture provides that the amount to be maintained in the Reserve Account as the Reserve Requirement shall, as of any date of calculation, equal the lesser of (i) 10% of the initial principal amount of the Bonds and any Parity Bonds; (ii) the Maximum Annual Debt Service on the then Outstanding Bonds and any Parity Bonds; or (iii) one hundred twenty-five percent (125%) of average annual debt service on the then Outstanding Bonds and any Parity Bonds. As of the date of issuance of the Bonds the Reserve Requirement will be fully funded in the amount of \$_____ * (the “Initial Reserve Requirement”). In no event shall the Reserve Requirement exceed the Initial Reserve Requirement.

Subject to the limits on the maximum annual Special Tax which may be levied within Improvement Area No. 1 of the District in accordance with the Rate and Method set forth in Appendix A, the District will covenant to levy Special Taxes in an amount that is anticipated to be sufficient, in light of the other intended uses of the Special Tax proceeds, to maintain the balance in the Reserve Account at the Reserve Requirement. Amounts in the Reserve Account are to be applied to (i) pay debt service on the Bonds and any Parity Bonds, to the extent other moneys in the Interest Account and the Principal Account are insufficient therefor; (ii) make any required transfer to the Rebate Fund pursuant to the Indenture; (iii) redeem the Bonds and any Parity Bonds in whole or in part; and (iv) pay the principal and interest due in the final year of maturity of a series of the Bonds and any Parity Bonds. See APPENDIX E—“SUMMARY OF CERTAIN PROVISIONS OF THE BOND

* Preliminary, subject to change.

INDENTURE—CREATION OF FUNDS AND APPLICATION OF REVENUES AND NET TAXES—Reserve Account of the Special Tax Fund” herein.

Surplus Fund

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

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

Issuance of Parity Bonds

The District may at any time after the issuance and delivery of the Bonds issue Parity Bonds payable from the Net Taxes collected within Improvement Area No. 1 and other amounts deposited in the Special Tax Fund and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be issued for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then Outstanding. Parity Bonds which may only be issued to effect a partial refunding may be issued if the Annual Debt Service on the Bonds and Parity Bonds to remain Outstanding following the issuance of the Parity Bonds proposed to be issued is less than the Annual Debt Service on the Bonds and Parity Bonds Outstanding prior to the issuance of such Parity Bonds in each Bond Year.

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

THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1

General Description of the District

The District is located in the central part of the Water District’s service area, northeast of Interstate 15 at Temescal Canyon Road and Terramor Drive in unincorporated Riverside County. The District currently consists only of Improvement Area No. 1, though additional improvement areas are expected to be annexed into the District in the future. In the aggregate, these improvement areas will constitute the master planned community of “Terramor.” Improvement Area No. 1 is comprised of approximately 88.0 taxable acres of land. Special taxes levied in other improvement areas of the District are not pledged and will not be available to pay debt service on the Bonds.

Status of Development in Improvement Area No. 1

The property within Improvement Area No. 1, which encompasses approximately 201.6 gross acres and approximately 88.0 taxable acres subject to payment of the Special Tax, is proposed to contain 598 single-family detached residential units at completion of the development. Of the 598 proposed single family homes, only the 170 units being developed by KB Home will be market rate units, while the remaining 428 units are being developed as age-qualified units.

As of August 22, 2018, Improvement Area No. 1 consisted of 140 completed single family homes (over 95% complete), including 15 model homes, 72 homes under construction, 303 finished lots and 83 partially finished lots.

Within Improvement Area No. 1, as of August 22, 2018, individual homeowners owned 105 parcels, the Developer owned 171 lots, KB Home owned 161 parcels, Van Daele owned 20 parcels, CalAtlantic owned 27 parcels and Pulte owned 114 parcels. Of the parcels owned by the merchant builders, 88 were in escrow as of August 22, 2018. As of November 1, 2018, 85 parcels owned by the merchant builders were in escrow. The remaining parcels owned by the Developer are expected to be acquired by Van Daele and Pulte over the next few years. See "OWNERSHIP AND DEVELOPMENT OF IMPROVEMENT AREA NO. 1 – Property Ownership in Improvement Area No. 1."

The status of ownership and the associated appraised values within Improvement Area No. 1 as of August 22, 2018 are set forth in Table 1 below.

**TABLE 1
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT (IMPROVEMENT AREA NO. 1)
OWNERSHIP STATUS AS OF AUGUST 22, 2018**

<u>Planning Area 1 (Sorrel & Caraway)</u>	<u>Appraised Value</u>
KB Homes (11 Houses)	\$ 4,363,274
KB Homes (150 Lots)	24,555,659
Individual Owners (9 Houses)	<u>4,200,536</u>
Subtotal Planning Area 1	\$ 33,119,469
<u>Planning Area 2 (Oakton)</u>	
Van Daele Ownership (20 Lots)	\$ 3,499,116
Forestar Ownership (63 Lots)	<u>10,889,758</u>
Subtotal Planning Area 2	\$ 14,388,874
<u>Planning Area 3 (Sterling)</u>	
CalAtlantic (9 Houses)	\$ 3,786,983
CalAtlantic (18 Lots)	3,943,010
Forestar Ownership (68 Lots)	12,440,268
Individual Owners (10 Houses)	<u>5,255,314</u>
Subtotal Planning Area 3	\$ 25,425,575
<u>Planning Area 4 (Ardena)</u>	
Pulte (4 Houses)	\$ 1,525,569
Pulte Ownership (50 Lots)	7,737,432
Forestar Ownership (40 Lots)	6,333,725
Individual Owners (41 Houses)	<u>18,778,679</u>
Subtotal Planning Area 4	\$ 34,375,405
<u>Planning Area 5 (Cortina)</u>	
Pulte (11 Houses)	\$ 4,424,353
Pulte (49 Lots)	9,414,750
Individual Owners (45 Houses)	<u>22,762,063</u>
Subtotal Planning Area 5	\$ 36,601,166
Aggregate Total for CFD No. 4 Improvement Area 1	<u>\$ 143,910,489</u>

Source: The Appraisal Report.

Description of Authorized Facilities

Facilities are authorized to be constructed and acquired (the “Facilities”) by the District, the County and the Riverside County Flood Control and Water Conservation District (the “Water Conservation District”). The construction and acquisition of Facilities to be owned by the District, the County and the Water Conservation District are governed by the terms of an Acquisition/Financing Agreement by and among the Water District, the District and the Developer, and a Joint Community Facilities Agreement by and among the Water District, the County, the Water Conservation District and the Developer. In general, the Facilities consist of: (1) water and wastewater facilities of the District, including the acquisition of capacity in the wastewater system and water system of the Water District and the construction of a wastewater treatment plant, (2) certain roadways and roadway improvements and related infrastructure and improvements of the County, and (3) storm and sewer drains and related infrastructure and improvements of the Water Conservation District. The estimated cost of the Facilities that may be financed, in part, with proceeds of the Bonds, based on the current estimated cost of

the Facilities, is set forth in Table 2 below. However, the actual cost of the Facilities will depend on various factors, including product mix and the timing of construction within the undeveloped portion of Improvement Area No. 1 of the District, and such costs could be significantly higher. Notwithstanding the foregoing, any costs in excess of available Bond proceeds are expected to be paid for by the Developer.

**TABLE 2
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT (IMPROVEMENT AREA NO. 1)
FACILITIES ELIGIBLE TO BE FINANCED
WITH BOND PROCEEDS**

<i>Facility Description</i>	<i>Eligible Amount⁽¹⁾</i>	<i>Estimated Amount⁽²⁾</i>
County Facilities	\$ 8,000,000	\$
Water Conservation District Facilities	4,000,000	
Water District Facilities	<u>49,000,000</u>	<u> </u>
Total Facilities	<u>\$ 61,000,000</u>	<u> </u>

⁽¹⁾ Rounded to the nearest million dollars. Includes all Facilities eligible to be financed.

⁽²⁾ Represents costs of Facilities expected to be financed from Bond proceeds, based on the current estimated costs.

Source: The Developer.

Direct and Overlapping Indebtedness

The ability of an owner of land within Improvement Area No. 1 to pay the Special Taxes could be affected by the existence of other taxes and assessments imposed upon the property. These other taxes and assessments consist of the direct and overlapping debt in Improvement Area No. 1 as set forth in Table 3 below (the “Debt Report”). The Debt Report sets forth those entities which have issued debt and does not include entities which have not issued debt and only levy or assess fees, charges, *ad valorem* taxes or special taxes. See Tables 9A through 9F for information regarding other entities levying taxes, assessments or other charges on property in Improvement Area No. 1. The Debt Report includes the principal amount of the Bonds. The Debt Report has been derived from data assembled and reported to the District by David Taussig & Associates, Inc. as of September 2, 2018, updated to include the principal amount of the Bonds. None of the Water District, the District or the Underwriter has independently verified the information in the Debt Report and such entities do not guarantee its completeness or accuracy. The allocation of total debt outstanding will change as additional development occurs.

TABLE 3
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT (IMPROVEMENT AREA NO. 1)
DIRECT AND OVERLAPPING DEBT

<i>Overlapping District</i>	<i>Actual Fiscal Year 2018-19 Total Levy</i>	<i>Amount of Levy on Parcels in IA No. 1⁽¹⁾</i>	<i>Percent of Levy on Parcels in IA No. 1⁽¹⁾</i>	<i>Total Debt Outstanding⁽²⁾</i>	<i>IA No. 1 Share of Total Debt Outstanding</i>
Corona-Norco Unified School District G.O. Bonds	\$ 31,527,575	\$ 77,055	0.2444%	\$422,082,700	\$ 1,031,598
Metropolitan Water District G.O. Bonds	130,566,334	2,985	0.0023	60,600,000	1,386
Riverside City Community College G.O. Bonds	14,838,692	12,607	0.0850	251,471,073	<u>213,644</u>
				Estimated Share of Overlapping Debt Allocable to IA No. 1	\$ 1,246,628
				Plus the Bonds	<u>22,815,000*</u>
				Estimated Share of Direct and Overlapping Debt Allocable to the District	<u>\$ 24,061,628*</u>

* Preliminary, subject to change.

(1) General obligation debt shown is allocated based on the assessed value within Improvement Area No. 1 as a percentage of the total assessed valuation within the respective taxing overlapping district; increases in the assessed value of the parcels within Improvement Area No. 1 may result in increases to such parcels' share of the total overlapping levy.

(2) As of September 2, 2018.

Source: David Taussig & Associates, Inc.

Appraisal Report

The estimated assessed value of the property within Improvement Area No. 1, as shown on the County’s assessment roll for Fiscal Year 2018-19, is approximately \$86,064,971. However, as a result of the requirements of Article XIII A of the California Constitution, a property’s assessed value is not necessarily indicative of its market value. In order to provide information with respect to the value of the property within Improvement Area No. 1, the Water District engaged Kitty Siino, MAI, the Appraiser, to prepare the Appraisal Report. The Appraiser has an “MAI” designation from the Appraisal Institute and has prepared numerous appraisals for the sale of land-secured municipal bonds. The Appraiser was selected by the Water District and has no material relationships with the Water District, the District, or the owners of the land within Improvement Area No. 1 other than the relationship represented by the engagement to prepare the Appraisal Report. The Water District instructed the Appraiser to prepare its analysis and report in conformity with the Appraisal Standards for Land Secured Financings published in 1994 and revised in 2004 by the California Debt and Investment Advisory Commission. A copy of the Appraisal Report is included as APPENDIX B—“APPRAISAL REPORT” to this Official Statement.

The purpose of the Appraisal Report was to estimate the aggregate market value of the “as is” condition of the property within Improvement Area No. 1 subject to the Special Taxes. The estimate of market value takes into consideration and assumes the improvements to be funded with the proceeds of the Bonds have been installed and that the development costs provided to the Appraiser by the Developer include all of the costs necessary to bring the subject properties to a finished lot condition. Subject to the contingencies, assumptions and limiting conditions set forth in the Appraisal Report, the Appraiser concluded that, as of August 22, 2018 the minimum market value of the taxable parcels within Improvement Area No. 1 was \$143,910,489. Table 4 below shows the market value of the various parcels owned by individual homeowners and each of the merchant builders as set forth in the Appraisal Report based on ownership as of August 22, 2018.

**TABLE 4
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT (IMPROVEMENT AREA NO. 1)
SUMMARY OF APPRAISED VALUES**

<i>Property Owner</i>	<i>No. of Units/Lots</i>	<i>Minimum Market Value⁽¹⁾</i>
Individual Homeowners	105	\$ 50,996,592
Forestar	171	29,663,751
KB Home	161	28,918,933
Van Daele	20	3,499,116
CalAtlantic	27	7,729,993
Pulte	<u>114</u>	<u>23,102,104</u>
TOTAL	<u>598</u>	<u>\$143,910,489</u>

⁽¹⁾ Total represents a rounded amount of the appraised values of each owner’s property.
Source: The Appraisal Report.

In estimating the market value, the Appraiser utilized a direct sales comparison approach and a discounted cash flow analysis along with a mass appraisal technique for the builder-owned exiting homes. The values of the lots owned by the Developer and the merchant builders were adjusted for any costs to complete such lots. To arrive at the absorption schedule for the proposed residential developments within Improvement Area No. 1, the Appraiser considered in the analysis the absorption set forth in the Market Absorption Study.

Reference is made to Appendix B for a complete list of the assumptions and limiting conditions and a full discussion of the appraisal methodology and the basis for the Appraiser’s opinions. In the event that any of the contingencies, assumptions and limiting conditions are not actually realized, the value of the property within

Improvement Area No. 1 may be less than the amount reported in the Appraisal Report. In any case, there can be no assurance that any portion of the property within Improvement Area No. 1 would actually sell for the amount indicated by the Appraisal Report.

The Appraisal Report merely indicates the Appraiser's opinion as to the minimum market value of the property referred to therein as of the date and under the conditions specified therein. The Appraiser's opinion reflects conditions prevailing in the applicable market as of the dates of the Appraisal Report. The Appraiser's opinion does not predict the future value of the subject property, and there can be no assurance that market conditions will not change adversely in the future.

It is a condition precedent to the issuance of the Bonds that the Appraiser deliver to the District a certification to the effect that, while the Appraiser has not updated the Appraisal Report, and has not undertaken any obligation to do so, nothing has come to the attention of the Appraiser subsequent to the date of the Appraisal Report that would cause the Appraiser to believe that the value of the property in Improvement Area No. 1 is less than the value reported in the Appraisal Report. However, the Appraiser notes that acts and events may have occurred since the date of the Appraisal Report which could result in both positive and negative effects on market value within Improvement Area No. 1.

Appraised Value-To-Lien Ratios

Tables 5 and 6 below incorporate the values assigned to parcels in the Appraisal Report, the estimated principal amount of direct and overlapping debt allocable to each category of parcels and the appraised value-to-lien ratios for various categories of parcels based upon land values, land classification and property ownership in Improvement Area No. 1 as of August 22, 2018, and includes the projected Fiscal Year 2019-20 Special Tax levy, with Table 5 being a tabular summary of the more detailed information set forth in Table 6. Tables 5 and 6 calculate the appraised value-to-lien ratios based upon the principal amount of the Bonds and other overlapping general obligation debt described in Table 3. The appraised value-to-lien ratio including all Developed Property and Undeveloped Property as of August 22, 2018, based on land use classification as of August 22, 2018, and including the Bonds and other overlapping general obligation debt in such calculation, is 5.98-to-1.* In the Annual Reports provided pursuant to the District Continuing Disclosure Agreement, Table 5 will not be updated based on appraised value, but similar information will be provided based on current assessed value.

* Preliminary, subject to change.

TABLE 5
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT (IMPROVEMENT AREA NO. 1)
SUMMARY OF ESTIMATED APPRAISED VALUE-TO-LIEN RATIOS
FOR FISCAL YEAR 2019-20 BASED ON LAND USE CLASSIFICATION

<i>Property Classification/Owner/ Construction Status⁽¹⁾⁽²⁾</i>	<i>Number of Lots/Units</i>	<i>Projected Fiscal Year 2019-20 Special Tax Levy^{(1)(3)*}</i>	<i>Percent of Total Special Tax Levy^{(1)(3)*}</i>	<i>CFD No. 4, IA No. 1 Outstanding Bond Amount*</i>	<i>Total Direct and Overlapping Debt^{(4)*}</i>	<i>Appraised Value⁽⁵⁾</i>	<i>Value-to-Lien Ratios^{(6)*}</i>
<u>Developed Property</u>							
Individual Owners	105	\$ 253,710	17.55%	\$ 4,007,421	\$ 4,582,440	\$ 50,996,592	11.13 to 1
Completed-Unsold	35	94,162	6.53	1,487,316	1,649,328	14,100,179	8.55 to 1
Under Construction/Finished Lots	<u>118</u>	<u>313,375</u>	<u>21.71</u>	<u>4,949,848</u>	<u>5,142,844</u>	<u>20,420,605</u>	<u>3.97 to 1</u>
<u>Subtotal Developed</u>	<u>258</u>	<u>\$ 661,247</u>	<u>45.79%</u>	<u>\$ 10,444,585</u>	<u>\$11,374,612</u>	<u>\$ 85,517,376</u>	<u>7.52 to 1</u>
<u>Undeveloped Property</u>							
Under Construction/Finished Lots ⁽⁷⁾	257	\$ 588,762	40.77%	\$ 9,299,639	\$ 9,603,946	\$ 44,004,239	4.58 to 1
Partially Finished Lots	<u>83</u>	<u>194,411</u>	<u>13.46</u>	<u>3,070,775</u>	<u>3,083,067</u>	<u>14,388,874</u>	<u>4.67 to 1</u>
<u>Subtotal Undeveloped</u>	<u>340</u>	<u>\$ 783,173</u>	<u>54.23%</u>	<u>\$ 12,370,414</u>	<u>\$12,687,013</u>	<u>\$ 58,393,113</u>	<u>4.60 to 1</u>
Total	<u>598</u>	<u>\$ 1,444,418</u>	<u>100.00%</u>	<u>\$ 22,815,000</u>	<u>\$24,061,628</u>	<u>\$ 143,910,489</u>	<u>5.98 to 1</u>

* Preliminary, subject to change.

(1) Projected based on building permits issued as of August 22, 2018, levied at 100% of the reduced Assigned Special Tax rates for Developed Property and approximately 77.62% of the Maximum Special Tax rate for Undeveloped Property. Actual Fiscal Year 2019-20 levy will reflect building permits issued as of March 1, 2019.

(2) Ownership and construction status based on Appraisal Report with a date of value of August 22, 2018.

(3) The projected Special Tax levy for Fiscal Year 2019-20 will be levied in an amount sufficient to pay debt service due on the Bonds in 2020 plus \$45,000 in annual Administrative Expenses.

(4) As of September 2, 2018. Allocated based on projected Fiscal Year 2019-20 levy.

(5) Value based on Appraisal Report with a date of value of August 22, 2018.

(6) Calculated by dividing Appraised Value column by the Total Direct and Overlapping Debt column.

(7) Forty-seven lots had building permits issued between August 22, 2018 and November 1, 2018.

Source: David Taussig & Associates, Inc.

**TABLE 6
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT (IMPROVEMENT AREA NO. 1)
DETAILED ESTIMATED APPRAISED VALUE-TO-LIEN RATIOS
FOR FISCAL YEAR 2019-20 BASED ON LAND USE CLASSIFICATION**

<i>Property Classification/Neighborhood/Owner/Construction Status⁽¹⁾⁽²⁾</i>	<i>Number of Lots/Units</i>	<i>Projected Fiscal Year 2019-20 Special Tax Levy^{(1)(3)*}</i>	<i>Percent of Total Special Tax Levy^{(1)(3)*}</i>	<i>CFD No. 4, IA No. 1 Outstanding Bond Amount*</i>	<i>Metropolitan Water District G.O. Outstanding Bond Amount⁽⁴⁾</i>	<i>Riverside Community College District G.O. Outstanding Bond Amount⁽⁴⁾</i>	<i>CNUSD G.O. Outstanding Bond Amount⁽⁴⁾</i>	<i>Total Direct and Overlapping Debt*</i>	<i>Appraised Value⁽⁵⁾</i>	<i>Value-to-Lien Ratios^{(6)*}</i>
Developed Property										
Planning Area 1 (Sorrel & Caraway)										
Individual Owners	9	\$ 28,380	1.96%	\$ 448,270	\$ 22	\$ 3,443	\$ 16,624	\$ 468,360	\$ 4,200,536	8.97 to 1
KB Home (Completed-Unsold)	11	34,657	2.40	547,417	54	8,288	40,020	595,780	4,363,274	7.32 to 1
KB Home (Under Construction/Finished Lots)	46	145,528	10.08	2,298,656	114	17,597	84,968	2,401,335	7,530,402	3.14 to 1
Planning Area 3 (Sterling)										
Individual Owners	10	26,025	1.80	411,072	32	4,962	23,962	440,029	5,255,314	11.94 to 1
CalAtlantic (Completed-Unsold)	9	23,523	1.63	371,553	45	6,941	33,515	412,053	3,786,983	9.19 to 1
CalAtlantic (Under Construction/Finished Lots)	8	20,619	1.43	325,683	2	253	1,220	327,157	1,752,449	5.36 to 1
Planning Area 4 (Ardena)										
Individual Owners	41	86,715	6.00	1,369,688	274	42,289	204,199	1,616,451	18,778,679	11.62 to 1
Pulte (Completed-Unsold)	4	8,460	0.59	133,628	26	3,940	19,025	156,619	1,525,569	9.74 to 1
Pulte (Under Construction/Finished Lots)	31	64,662	4.48	1,021,355	20	3,057	14,762	1,039,194	4,797,208	4.62 to 1
Planning Area 5 (Cortina)										
Individual Owners	45	112,590	7.79	1,778,391	310	47,851	231,051	2,057,604	22,762,063	11.06 to 1
Pulte (Completed-Unsold)	11	27,522	1.91	434,718	56	8,596	41,506	484,876	4,424,353	9.12 to 1
Pulte (Under Construction/Finished Lots)	33	82,566	5.72	1,304,154	79	12,168	58,756	1,375,156	6,340,546	4.61 to 1
Subtotal – Developed Property	258	\$ 661,247	45.78%	\$ 10,444,586	\$ 1,034	\$ 159,386	\$ 769,609	\$ 11,374,614	\$ 85,517,376	7.52 to 1

[TABLE CONTINUED ON NEXT PAGE]

<i>Property Classification/Neighborhood/Owner/Construction Status⁽¹⁾⁽²⁾</i>	<i>Number of Lots/Units</i>	<i>Projected Fiscal Year 2019-20 Special Tax Levy^{(1)(3)*}</i>	<i>Percent of Total Special Tax Levy^{(1)(3)*}</i>	<i>CFD No. 4, IA No. 1 Outstanding Bond Amount*</i>	<i>Metropolitan Water District G.O. Outstanding Bond Amount⁽⁴⁾</i>	<i>Riverside Community College District G.O. Outstanding Bond Amount⁽⁴⁾</i>	<i>CNUSD G.O. Outstanding Bond Amount⁽⁴⁾</i>	<i>Total Direct and Overlapping Debt*</i>	<i>Appraised Value⁽⁵⁾</i>	<i>Value-to-Lien Ratios^{(6)*}</i>
Undeveloped Property										
Planning Area 1 (Sorrel & Caraway)										
KB Home (Under Construction/ Finished Lots) ⁽⁷⁾	104	\$ 253,963	17.58%	\$ 4,011,420	\$ 258	\$ 39,784	\$ 192,102	\$ 4,243,565	\$ 17,025,257	4.01 to 1
Planning Area 2 (Oakton)										
Van Daele (Partially Finished Lots)	20	39,909	2.76	630,370	3	527	2,543	633,443	3,499,116	5.52 to 1
Forestar (Partially Finished Lots) ⁽¹⁰⁾	63	154,502	10.70	2,440,405	10	1,580	7,629	2,449,624	10,889,758	4.45 to 1
Planning Area 3 (Sterling)										
CalAtlantic (Under Construction/ Finished Lots) ⁽⁸⁾	10	21,687	1.50	342,548	8	1,245	6,012	349,814	2,190,561	6.26 to 1
Forestar (Finished Lots) ⁽¹¹⁾	68	169,388	11.73	2,675,527	14	2,148	10,369	2,688,058	12,440,268	4.63 to 1
Planning Area 4 (Ardena)										
Pulte (Under Construction/ Finished Lots)	19	37,086	2.57	585,778	14	2,108	10,177	598,077	2,940,224	4.92 to 1
Forestar (Finished Lots) ⁽¹¹⁾	40	73,915	5.12	1,167,503	6	967	4,670	1,173,146	6,333,725	5.40 to 1
Planning Area 5 (Cortina)										
Pulte (Under Construction/ Finished Lots) ⁽⁹⁾	16	32,723	2.27	516,863	38	5,900	28,487	551,288	3,074,204	5.58 to 1
Subtotal – Undeveloped Property	340	\$ 783,171	54.22%	\$ 12,370,414	\$ 352	\$ 54,258	\$ 261,990	\$ 12,687,014	\$ 58,393,113	4.60 to 1
Total	598	\$1,444,418	100.00%	\$ 22,815,000	\$ 1,386	\$ 213,644	\$1,031,598	\$ 24,061,628	\$ 143,910,489	5.98 to 1

* Preliminary, subject to change.

(1) Projected based on building permits issued as of August 22, 2018, levied at 100% of the reduced Assigned Special Tax rates for Developed Property and approximately 77.62% of the Maximum Special Tax rate for Undeveloped Property. Actual Fiscal Year 2019-20 levy will reflect building permits issued as of March 1, 2019.

(2) Ownership and construction status based on Appraisal Report with a date of value of August 22, 2018.

(3) The projected Special Tax levy for Fiscal Year 2019-20 will be levied in an amount sufficient to pay debt service due on the Bonds in 2020 plus \$45,000 in annual Administrative Expenses.

(4) As of September 2, 2018. Allocated based on projected Fiscal Year 2019-20 levy.

(5) Value based on Appraisal Report with a date of value of August 22, 2018.

(6) Calculated by dividing Appraised Value column by the Total Direct and Overlapping Debt column.

(7) Thirty-one lots had building permits issued between August 22, 2018 and November 1, 2018.

(8) Eight lots had building permits issued between August 22, 2018 and November 1, 2018.

(9) Eight lots had building permits issued between August 22, 2018 and November 1, 2018.

(10) Pursuant to the contract between Van Daele and the Developer, Van Daele is responsible for the payment of Special Taxes on the parcels owned by the Developer in Planning Area 2. See "OWNERSHIP AND DEVELOPMENT OF IMPROVEMENT AREA NO. 1 – Property Ownership in Improvement Area No. 1."

(11) Pursuant to the contracts between Pulte and the Developer, Pulte is responsible for the payment of Special Taxes on the parcels owned by the Developer in Planning Areas 3 and 4. See "OWNERSHIP AND DEVELOPMENT OF IMPROVEMENT AREA NO. 1 – Property Ownership in Improvement Area No. 1."

Source: David Taussig & Associates, Inc.

Table 7 below sorts the parcels within Improvement Area No. 1 by ownership and development status as of August 22, 2018 and includes the projected Fiscal Year 2019-20 Special Tax levy.

**TABLE 7
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT (IMPROVEMENT AREA NO. 1)
ESTIMATED APPRAISED VALUE-TO-LIEN RATIOS FOR FISCAL YEAR 2019-20 BASED ON OWNERSHIP**

<i>Property Classification/Neighborhood/Owner/Construction Status⁽¹⁾</i>	<i>Number of Lots/Units</i>	<i>Projected Fiscal Year 2019-20 Special Tax Levy^{(2)(3)*}</i>	<i>Percent of Total Special Tax Levy^{(2)(3)*}</i>	<i>CFD No. 4, IA No. 1 Outstanding Bond Amount*</i>	<i>Metropolitan Water District G.O. Outstanding Bond Amount⁽⁴⁾</i>	<i>Riverside Community College District G.O. Outstanding Bond Amount⁽⁴⁾</i>	<i>CNUSD G.O. Outstanding Bond Amount⁽⁴⁾</i>	<i>Total Direct and Overlapping Debt*</i>	<i>Appraised Value⁽⁵⁾</i>	<i>Value-to-Lien Ratios^{(6)*}</i>
Individual Owners										
Planning Area 1 (Sorrel & Caraway)	9	\$ 28,380	1.96%	\$ 448,270	\$ 22	\$ 3,443	\$ 16,624	\$ 468,360	\$ 4,200,536	8.97 to 1
Planning Area 3 (Sterling)	10	26,025	1.80	411,072	32	4,962	23,962	440,029	5,255,314	11.94 to 1
Planning Area 4 (Ardena)	41	86,715	6.00	1,369,688	274	42,290	204,199	1,616,451	18,778,679	11.62 to 1
Planning Area 5 (Cortina)	45	112,590	7.79	1,778,391	310	47,851	231,051	2,057,604	22,762,063	11.06 to 1
Subtotal – Individual Owner	105	\$ 253,710	17.56%	\$ 4,007,422	\$ 639	\$ 98,545	\$ 475,836	\$ 4,582,443	\$ 50,996,592	11.13 to 1
KB Home										
Planning Area 1 (Sorrel & Caraway) ⁽⁷⁾	161	\$ 434,148	30.06%	\$ 6,857,494	\$ 426	\$ 65,669	\$ 317,090	\$ 7,240,680	\$ 28,918,933	3.99 to 1
Subtotal – KB Home	161	\$ 434,148	30.06%	\$ 6,857,494	\$ 426	\$ 65,669	\$ 317,090	\$ 7,240,680	\$ 28,918,933	3.99 to 1
Van Daele										
Planning Area 2 (Oakton)	20	\$ 39,909	2.76%	\$ 630,370	\$ 3	\$ 527	\$ 2,543	\$ 633,443	\$ 3,499,116	5.52 to 1
Subtotal – Van Daele	20	\$ 39,909	2.76%	\$ 630,370	\$ 3	\$ 527	\$ 2,543	\$ 633,443	\$ 3,499,116	5.52 to 1
CalAtlantic										
Planning Area 3 (Sterling) ⁽⁸⁾	27	\$ 65,829	4.56%	\$ 1,039,784	\$ 55	\$ 8,439	\$ 40,747	\$ 1,089,024	\$ 7,729,993	7.10 to 1
Subtotal – CalAtlantic	27	\$ 65,829	4.56%	\$ 1,039,784	\$ 55	\$ 8,439	\$ 40,747	\$ 1,089,024	\$ 7,729,993	7.10 to 1
Pulte										
Planning Area 4 (Ardena) ⁽⁹⁾	54	\$ 110,208	7.63%	\$ 1,740,761	\$ 59	\$ 9,105	\$ 43,964	\$ 1,793,890	\$ 9,263,001	5.16 to 1
Planning Area 5 (Cortina)	60	142,811	9.89	2,255,734	173	26,664	128,749	2,411,321	13,839,103	5.74 to 1
Subtotal – Pulte	114	\$ 253,018	17.52%	\$ 3,996,496	\$ 232	\$ 35,769	\$ 172,714	\$ 4,205,211	\$ 23,102,104	5.49 to 1
Forestar										
Planning Area 2 (Oakton) ⁽¹⁰⁾	63	\$ 154,502	10.70%	\$ 2,440,405	\$ 10	\$ 1,580	\$ 7,629	\$ 2,449,624	\$ 10,889,758	4.45 to 1
Planning Area 3 (Sterling) ⁽¹¹⁾	68	169,388	11.73	2,675,527	14	2,148	10,369	2,688,058	12,440,268	4.63 to 1
Planning Area 4 (Ardena) ⁽¹¹⁾	40	73,915	5.12	1,167,503	6	967	4,670	1,173,146	6,333,725	5.40 to 1
Subtotal – Forestar	171	\$ 397,804	27.54%	\$ 6,283,435	\$ 30	\$ 4,695	\$ 22,668	\$ 6,310,828	\$ 29,663,751	4.70 to 1
Total	598	\$1,444,418	100.00%	\$ 22,815,000	\$ 1,386	\$ 213,644	\$1,031,598	\$ 24,061,628	\$ 143,910,489	5.98 to 1

[Footnotes continued on next page.]

- * Preliminary, subject to change.
- (1) Ownership based on Appraisal Report with a date of value of August 22, 2018.
 - (2) Projected based on building permits issued as of August 22, 2018, levied at 100% of the reduced Assigned Special Tax rates for Developed Property and approximately 77.62% of the Maximum Special Tax rate for Undeveloped Property. Actual Fiscal Year 2019-20 levy will reflect building permits issued as of March 1, 2019.
 - (3) The projected Special Tax levy for Fiscal Year 2019-20 will be levied in an amount sufficient to pay debt service due on the Bonds in 2020 plus \$45,000 in annual Administrative Expenses.
 - (4) As of September 2, 2018. Allocated based on Fiscal Year 2018-19 levy.
 - (5) Value based on Appraisal Report with a date of value of August 22, 2018.
 - (6) Calculated by dividing Appraised Value column by the Total Direct and Overlapping Debt column.
 - (7) Thirty-one lots had building permits issued between August 22, 2018 and November 1, 2018.
 - (8) Eight lots had building permits issued between August 22, 2018 and November 1, 2018.
 - (9) Eight lots had building permits issued between August 22, 2018 and November 1, 2018.
 - (10) Pursuant to the contract between Van Daele and the Developer, Van Daele is responsible for the payment of Special Taxes on the parcels owned by the Developer in Planning Area 2. See "OWNERSHIP AND DEVELOPMENT OF IMPROVEMENT AREA NO. 1 – Property Ownership in Improvement Area No. 1."
 - (11) Pursuant to the contracts between Pulte and the Developer, Pulte is responsible for the payment of Special Taxes on the parcels owned by the Developer in Planning Areas 3 and 4. See "OWNERSHIP AND DEVELOPMENT OF IMPROVEMENT AREA NO. 1 – Property Ownership in Improvement Area No. 1."

Source: David Taussig & Associates, Inc.

Special Tax Rates

Special Taxes are levied annually in accordance with the Rate and Method. See APPENDIX A—“RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” Table 8 below sets forth the Assigned Special Taxes that are projected to be levied in Improvement Area No. 1 for Fiscal Year 2019-20 based on land use classification as of August 22, 2018. An additional 47 building permits have been issued between August 22, 2018 and November 1, 2018. The District expects to levy Special Taxes on Undeveloped Property in Fiscal Year 2019-20 and in each fiscal year thereafter until Special Tax revenues from Developed Property are sufficient to pay debt service on the Bonds and Administrative Expenses. Beginning in Fiscal Year 2021-22, Special Taxes are expected to be levied only against Developed Property. Assigned Special Taxes do not escalate in future Fiscal Years.

**TABLE 8
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT (IMPROVEMENT AREA NO. 1)
PROJECTED SPECIAL TAXES FOR FISCAL YEAR 2019-20**

<i>Zone/Land Use Class</i>	<i>Land Use</i>	<i>Assigned Special Tax⁽¹⁾</i>	<i>Fiscal Year 2019-20 Number of Units/Acres</i>	<i>Projected Fiscal Year 2019-20 Special Tax^{(2)(3)*}</i>	<i>Projected Fiscal Year 2019-20 Total Levy^{(2)(3)*}</i>
Zone A					
1	Residential Property (> 2,300 SF)	\$3,183 per Unit	49	\$3,183 per Unit	\$ 155,967
2	Residential Property (2,151 - 2,300 SF)	3,094 per Unit	17	3,094 per Unit	63,598
3	Residential Property (2,001 - 2,150 SF)	2,977 per Unit	0	0 per Unit ⁽⁴⁾	0
4	Residential Property (1,851 - 2,000 SF)	2,888 per Unit	0	0 per Unit ⁽⁴⁾	0
5	Residential Property (< 1,851 SF)	2,799 per Unit	0	0 per Unit ⁽⁴⁾	0
6	Non-Residential Property	29,636 per Acre	0.00	0 per Unit ⁽⁴⁾	0
N/A	Undeveloped Property	29,636 per Acre	11.04	\$23,004 per Acre	253,963
Zone B					
1	Residential Property (> 2,599 SF)	2,921 per Unit ⁽⁵⁾	0	\$ 0 per Unit ⁽⁴⁾	\$ 0
2	Residential Property (2,300 - 2,599 SF)	2,703 per Unit ⁽⁵⁾	13	2,703 per Unit	35,139
3	Residential Property (1,900 - 2,299 SF)	2,502 per Unit	103	2,502 per Unit	257,706
4	Residential Property (1,601 - 1,899 SF)	2,115 per Unit	69	2,115 per Unit	145,935
5	Residential Property (< 1,601 SF)	1,986 per Unit	7	1,986 per Unit	13,902
6	Non-Residential Property	16,532 per Acre	0.00	0 per Unit ⁽⁴⁾	0
N/A	Undeveloped Property	16,532 per Acre	<u>41.24</u>	12,832 per Unit	<u>529,208</u>
Total					<u>\$ 1,444,418</u>

* Preliminary, subject to change.

(1) Based on the Assigned Special Tax rate for Residential Property and Non-Residential Property, and the Maximum Special Tax rate for Undeveloped Property. The Maximum Special Tax for Developed Property is the greater of the amount derived from the application of the Assigned Special Tax rate and the Backup Special Tax.

(2) Projected based on building permits issued as of August 22, 2018 levied at 100.00% of the reduced Assigned Special Tax rates for Developed Property and approximately 77.62% of the Maximum Special Tax rate for Undeveloped Property. Actual Fiscal Year 2019-20 levy will reflect building permits issued as of March 1, 2019.

(3) The projected Special Tax levy for Fiscal Year 2019-20 will be levied in an amount sufficient to pay debt service due on the Bonds in 2020 plus \$45,000 in annual Administrative Expenses.

(4) No units/acres in these tax classes within Improvement Area No. 1.

(5) Reflects the Assigned Special Tax rate, as reduced pursuant to Section J of the Rate and Method.

Source: David Taussig & Associates, Inc.

Expected Tax Burden

For Fiscal Year 2019-20, the projected total effective tax rate for all categories of residential units is expected to range from approximately 1.69% to 1.90% of total projected base sales prices. The actual amounts charged and the effective tax rates may vary and may increase or decrease in future years. Tables 9A through 9F below show a sample property tax bill for the tax class with the highest effective tax rate in each neighborhood within Improvement Area No. 1.

**TABLE 9A
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT (IMPROVEMENT AREA NO. 1)
SAMPLE PROPERTY TAX BILL
SORREL (ZONE A)
TAX CLASS 2 (2,151 – 2,300 SF)**

<i>Assessed Valuation and Property Taxes</i>	<i>Percent of Total AV</i>	<i>Expected Amount</i>	<i>Maximum Amount</i>
BASE PRICE ⁽¹⁾	\$450,990		
ESTIMATED NET ASSESSED VALUE ⁽¹⁾	\$443,990		
Unit Size for Residential Property ⁽²⁾	2,229 Square Feet		
Lot Size for Residential Property ⁽²⁾	4,600 Square Feet		
AD VALOREM PROPERTY TAXES⁽³⁾			
General Tax Levy	1.000000%	\$4,439.90	
Corona-Norco Unified School District	0.090340	401.10	
Riverside City Community College District	0.014780	65.62	
Metropolitan Water District West	<u>0.003500</u>	<u>15.54</u>	
SUBTOTAL AD VALOREM PROPERTY TAX RATE/TAXES	1.108620%	\$4,922.16	
ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES			
CSA #134 ⁽⁴⁾		\$ 500.12	\$ 500.12
CSA #152 ⁽⁵⁾		50.90	50.90
Northwest Mosquito & Vector Control ⁽⁶⁾		10.60	10.60
Flood Control Stormwater/Cleanwater ⁽⁷⁾		2.38	2.38
Metropolitan Water District Standby West ⁽⁸⁾		9.22	9.22
CFD 4 IA 1 Temescal Valley Water District ⁽⁹⁾		<u>3,094.00</u>	<u>3,094.00</u>
SUBTOTAL SPECIAL TAXES, ASSESSMENTS AND CHARGES		\$3,667.22	\$3,667.22
<u>PROJECTED TOTAL PROPERTY TAXES</u>		<u>\$8,589.38</u>	<u>\$8,589.38</u>
Projected Total Effective Tax Rate (as % of Base Price)		<u>1.90456%</u>	<u>1.90456%</u>

(1) Base price provided by Meyers Research as of October 2018. Estimated net assessed value reflects \$7,000 homeowner's exemption.

(2) Estimated lot size for the Sorrel project and estimated average unit size for Tax Class 2 of Zone A provided by Meyers Research as of October 2018.

(3) Based on actual FY 2018-19 *ad valorem* rates for TRA 059-167.

(4) Based on actual FY 2018-19 rate of \$500.12 per benefit unit.

(5) Based on actual FY 2018-19 rate of \$50.90 per benefit unit.

(6) Based on actual FY 2018-19 rate of \$10.60 per benefit unit.

(7) Based on actual FY 2018-19 rate of \$22.50 per acre.

(8) Based on actual FY 2018-19 rate of \$9.22 per parcel.

(9) Expected amount based on the Temescal Valley Water District CFD No. 4 Improvement Area No. 1 Special Tax rate of \$3,094 per unit for Tax Class 2 property in Zone A, which is 100% of the Assigned Special Tax rate. Maximum Special Tax amount based on the greater of the Backup Special Tax rate of \$29,636 per acre for Zone A property or the Assigned Special Tax of \$3,094 per unit.

Source: David Taussig & Associates, Inc.; Meyers Research.

**TABLE 9B
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT (IMPROVEMENT AREA NO. 1)
SAMPLE PROPERTY TAX BILL
CARAWAY (ZONE A)
TAX CLASS 2 (2,151 – 2,300 SF)**

<i>Assessed Valuation and Property Taxes</i>	<i>Percent of Total AV</i>	<i>Expected Amount</i>	<i>Maximum Amount</i>
BASE PRICE ⁽¹⁾	\$454,990		
ESTIMATED NET ASSESSED VALUE ⁽¹⁾	\$447,990		
Unit Size for Residential Property ⁽²⁾	2,282 Square Feet		
Lot Size for Residential Property ⁽²⁾	4,700 Square Feet		
AD VALOREM PROPERTY TAXES⁽³⁾			
General Tax Levy	1.000000%	\$4,479.90	
Corona-Norco Unified School District	0.090340	404.71	
Riverside City Community College District	0.014780	66.21	
Metropolitan Water District West	<u>0.003500</u>	<u>15.68</u>	
SUBTOTAL AD VALOREM PROPERTY TAX RATE/TAXES	1.108620%	\$4,968.51	
ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES			
CSA #134 ⁽⁴⁾		\$ 500.12	\$ 500.12
CSA #152 ⁽⁵⁾		50.90	50.90
Northwest Mosquito & Vector Control ⁽⁶⁾		10.60	10.60
Flood Control Stormwater/Cleanwater ⁽⁷⁾		2.43	2.43
Metropolitan Water District Standby West ⁽⁸⁾		9.22	9.22
CFD 4 IA 1 Temescal Valley Water District ⁽⁹⁾		<u>3,094.00</u>	<u>3,094.00</u>
SUBTOTAL SPECIAL TAXES, ASSESSMENTS AND CHARGES		\$3,667.27	\$3,667.27
<u>PROJECTED TOTAL PROPERTY TAXES</u>		<u>\$8,633.77</u>	<u>\$8,633.77</u>
Projected Total Effective Tax Rate (as % of Base Price)		<u>1.89757%</u>	<u>1.89757%</u>

- (1) Base price provided by Meyers Research as of October 2018. Estimated net assessed value reflects \$7,000 homeowner's exemption.
- (2) Estimated lot size for the Caraway project and estimated average unit size for Tax Class 2 of Zone A provided by Meyers Research as of October 2018.
- (3) Based on actual FY 2018-19 *ad valorem* rates for TRA 059-167.
- (4) Based on actual FY 2018-19 rate of \$500.12 per benefit unit.
- (5) Based on actual FY 2018-19 rate of \$50.90 per benefit unit.
- (6) Based on actual FY 2018-19 rate of \$10.60 per benefit unit.
- (7) Based on actual FY 2018-19 rate of \$22.50 per acre.
- (8) Based on actual FY 2018-19 rate of \$9.22 per parcel.
- (9) Expected amount based on the Temescal Valley Water District CFD No. 4 Improvement Area No. 1 Special Tax rate of \$3,094 per unit for Tax Class 2 property in Zone A, which is 100% of the Assigned Special Tax rate. Maximum Special Tax amount based on the greater of the Backup Special Tax rate of \$29,636 per acre for Zone A property or the Assigned Special Tax of \$3,094 per unit.

Source: David Taussig & Associates, Inc.; Meyers Research.

**TABLE 9C
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT (IMPROVEMENT AREA NO. 1)
SAMPLE PROPERTY TAX BILL
ARDENA (AQ) (ZONE B)
TAX CLASS 4 (1,601 – 1,899 SF)**

<i>Assessed Valuation and Property Taxes</i>	<i>Percent of Total AV</i>	<i>Expected Amount</i>	<i>Maximum Amount</i>
BASE PRICE ⁽¹⁾	\$449,990		
ESTIMATED NET ASSESSED VALUE ⁽¹⁾	\$442,990		
Unit Size for Residential Property ⁽²⁾	1,731 Square Feet		
Lot Size for Residential Property ⁽²⁾	4,500 Square Feet		
AD VALOREM PROPERTY TAXES⁽³⁾			
General Tax Levy	1.000000%	\$4,429.90	
Corona-Norco Unified School District	0.090340	400.20	
Riverside City Community College District	0.014780	65.47	
Metropolitan Water District West	<u>0.003500</u>	<u>15.50</u>	
SUBTOTAL AD VALOREM PROPERTY TAX RATE/TAXES	1.108620%	\$4,911.08	
ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES			
CSA #134 ⁽⁴⁾		\$ 500.12	\$ 500.12
CSA #152 ⁽⁵⁾		50.90	50.90
Northwest Mosquito & Vector Control ⁽⁶⁾		10.60	10.60
Flood Control Stormwater/Cleanwater ⁽⁷⁾		2.32	2.32
Metropolitan Water District Standby West ⁽⁸⁾		9.22	9.22
CFD 4 IA 1 Temescal Valley Water District ⁽⁹⁾		<u>2,115.00</u>	<u>2,115.00</u>
SUBTOTAL SPECIAL TAXES, ASSESSMENTS AND CHARGES		\$2,688.16	\$2,688.16
<u>PROJECTED TOTAL PROPERTY TAXES</u>		<u>\$7,599.24</u>	<u>\$7,599.24</u>
Projected Total Effective Tax Rate (as % of Base Price)		<u>1.68876%</u>	<u>1.68876%</u>

- (1) Base price provided by Meyers Research as of October 2018. Estimated net assessed value reflects \$7,000 homeowner's exemption.
- (2) Estimated lot size for the Ardena project and estimated average unit size for Tax Class 4 of Zone B provided by Meyers Research as of October 2018.
- (3) Based on actual FY 2018-19 *ad valorem* rates for TRA 059-167.
- (4) Based on actual FY 2018-19 rate of \$500.12 per benefit unit.
- (5) Based on actual FY 2018-19 rate of \$50.90 per benefit unit.
- (6) Based on actual FY 2018-19 rate of \$10.60 per benefit unit.
- (7) Based on actual FY 2018-19 rate of \$22.50 per acre.
- (8) Based on actual FY 2018-19 rate of \$9.22 per parcel.
- (9) Expected amount based on the Temescal Valley Water District CFD No. 4 Improvement Area No. 1 Special Tax rate of \$2,115 per unit for Tax Class 4 property in Zone B, which is 100% of the Assigned Special Tax rate. Maximum Special Tax amount based on the greater of the Backup Special Tax rate or the Assigned Special Tax. The Backup Special Tax rate is expected to be reduced to \$16,145 per acre pursuant to Section J of the Rate and Method.

Source: David Taussig & Associates, Inc.; Meyers Research.

**TABLE 9D
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT (IMPROVEMENT AREA NO. 1)
SAMPLE PROPERTY TAX BILL
CORTINA (AQ) (ZONE B)
TAX CLASS 3 (1,900 – 2,299 SF)**

<i>Assessed Valuation and Property Taxes</i>	<i>Percent of Total AV</i>	<i>Expected Amount</i>	<i>Maximum Amount</i>
BASE PRICE ⁽¹⁾	\$479,900		
ESTIMATED NET ASSESSED VALUE ⁽¹⁾	\$472,900		
Unit Size for Residential Property ⁽²⁾	1,999 Square Feet		
Lot Size for Residential Property ⁽²⁾	4,950 Square Feet		
AD VALOREM PROPERTY TAXES⁽³⁾			
General Tax Levy	1.000000%	\$4,729.00	
Corona-Norco Unified School District	0.090340	427.22	
Riverside City Community College District	0.014780	69.89	
Metropolitan Water District West	<u>0.003500</u>	<u>16.55</u>	
SUBTOTAL AD VALOREM PROPERTY TAX RATE/TAXES	1.108620%	\$5,242.66	
ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES			
CSA #134 ⁽⁴⁾		\$ 500.12	\$ 500.12
CSA #152 ⁽⁵⁾		50.90	50.90
Northwest Mosquito & Vector Control ⁽⁶⁾		10.60	10.60
Flood Control Stormwater/Cleanwater ⁽⁷⁾		2.56	2.56
Metropolitan Water District Standby West ⁽⁸⁾		9.22	9.22
CFD 4 IA 1 Temescal Valley Water District ⁽⁹⁾		<u>2,502.00</u>	<u>2,502.00</u>
SUBTOTAL SPECIAL TAXES, ASSESSMENTS AND CHARGES		\$3,075.40	\$3,075.40
<u>PROJECTED TOTAL PROPERTY TAXES</u>		<u>\$8,313.06</u>	<u>\$8,313.06</u>
Projected Total Effective Tax Rate (as % of Base Price)		<u>1.73329%</u>	<u>1.73329%</u>

- (1) Base price provided by Meyers Research as of October 2018. Estimated net assessed value reflects \$7,000 homeowner's exemption.
- (2) Estimated lot size for the Cortina project and estimated average unit size for Tax Class 3 of Zone B provided by Meyers Research as of October 2018.
- (3) Based on actual FY 2018-19 *ad valorem* rates for TRA 059-167.
- (4) Based on actual FY 2018-19 rate of \$500.12 per benefit unit.
- (5) Based on actual FY 2018-19 rate of \$50.90 per benefit unit.
- (6) Based on actual FY 2018-19 rate of \$10.60 per benefit unit.
- (7) Based on actual FY 2018-19 rate of \$22.50 per acre.
- (8) Based on actual FY 2018-19 rate of \$9.22 per parcel.
- (9) Expected amount based on the Temescal Valley Water District CFD No. 4 Improvement Area No. 1 Special Tax rate of \$2,502 per unit for Tax Class 3 property in Zone B, which is 100% of the Assigned Special Tax rate. Maximum Special Tax amount based on the greater of the Backup Special Tax rate or the Assigned Special Tax. The Backup Special Tax rate is expected to be reduced to \$16,145 per acre pursuant to Section J of the Rate and Method.

Source: David Taussig & Associates, Inc.; Meyers Research.

TABLE 9E
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT (IMPROVEMENT AREA NO. 1)
SAMPLE PROPERTY TAX BILL
STERLING (AQ) (ZONE B)
TAX CLASS 2 (2,300 - 2,599 SF)

<i>Assessed Valuation and Property Taxes</i>	<i>Percent of Total AV</i>	<i>Expected Amount</i>	<i>Maximum Amount</i>
BASE PRICE ⁽¹⁾	\$510,900		
ESTIMATED NET ASSESSED VALUE ⁽¹⁾	\$503,900		
Unit Size for Residential Property ⁽²⁾	2,400 Square Feet		
Lot Size for Residential Property ⁽²⁾	5,400 Square Feet		
AD VALOREM PROPERTY TAXES⁽³⁾			
General Tax Levy	1.000000%	\$5,039.00	
Corona-Norco Unified School District	0.090340	455.22	
Riverside City Community College District	0.014780	74.48	
Metropolitan Water District West	<u>0.003500</u>	<u>17.64</u>	
SUBTOTAL AD VALOREM PROPERTY TAX RATE/TAXES	1.108620%	\$5,586.34	
ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES			
CSA #134 ⁽⁴⁾		\$ 500.12	\$ 500.12
CSA #152 ⁽⁵⁾		50.90	50.90
Northwest Mosquito & Vector Control ⁽⁶⁾		10.60	10.60
Flood Control Stormwater/Cleanwater ⁽⁷⁾		2.79	2.79
Metropolitan Water District Standby West ⁽⁸⁾		9.22	9.22
CFD 4 IA 1 Temescal Valley Water District ⁽⁹⁾		<u>2,703.00</u>	<u>2,703.00</u>
SUBTOTAL SPECIAL TAXES, ASSESSMENTS AND CHARGES		\$3,276.63	\$3,276.63
<u>PROJECTED TOTAL PROPERTY TAXES</u>		<u>\$8,862.97</u>	<u>\$8,862.97</u>
Projected Total Effective Tax Rate (as % of Base Price)		<u>1.73477%</u>	<u>1.73477%</u>

- (1) Base price provided by Meyers Research as of October 2018. Estimated net assessed value reflects \$7,000 homeowner's exemption.
- (2) Estimated lot size for the Sterling project and estimated average unit size for Tax Class 2 of Zone B provided by Meyers Research as of October 2018.
- (3) Based on actual FY 2018-19 *ad valorem* rates for TRA 059-167.
- (4) Based on actual FY 2018-19 rate of \$500.12 per benefit unit.
- (5) Based on actual FY 2018-19 rate of \$50.90 per benefit unit.
- (6) Based on actual FY 2018-19 rate of \$10.60 per benefit unit.
- (7) Based on actual FY 2018-19 rate of \$22.50 per acre.
- (8) Based on actual FY 2018-19 rate of \$9.22 per parcel.
- (9) Expected amount based on the Temescal Valley Water District CFD No. 4 Improvement Area No. 1 Special Tax rate of \$2,703 per unit for Tax Class 2 property in Zone B, which is 100% of the Assigned Special Tax rate. Maximum Special Tax amount based on the greater of the Backup Special Tax rate or the Assigned Special Tax. The Backup Special Tax rate is expected to be reduced to \$16,145 per acre and the Assigned Special Tax is expected to be reduced to \$2,703 per unit pursuant to Section J of the Rate and Method. Prior to the reduction, the actual Fiscal Year 2018-19 Special Tax for Tax Class 2 property in Zone B was \$2,888.

Source: David Taussig & Associates, Inc.; Meyers Research.

**TABLE 9F
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT (IMPROVEMENT AREA NO. 1)
SAMPLE PROPERTY TAX BILL
OAKTON (AQ) (ZONE B)
TAX CLASS 1 (>2,599 SF)**

<i>Assessed Valuation and Property Taxes</i>	<i>Percent of Total AV</i>	<i>Expected Amount</i>	<i>Maximum Amount</i>
BASE PRICE ⁽¹⁾	\$544,900		
ESTIMATED NET ASSESSED VALUE ⁽¹⁾	\$537,900		
Unit Size for Residential Property ⁽²⁾	2,900 Square Feet		
Lot Size for Residential Property ⁽²⁾	5,850 Square Feet		
AD VALOREM PROPERTY TAXES⁽³⁾			
General Tax Levy	1.000000%	\$5,379.00	
Corona-Norco Unified School District	0.090340	485.94	
Riverside City Community College District	0.014780	79.50	
Metropolitan Water District West	<u>0.003500</u>	<u>18.83</u>	
SUBTOTAL AD VALOREM PROPERTY TAX RATE/TAXES	1.108620%	\$5,963.27	
ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES			
CSA #134 ⁽⁴⁾		\$ 500.12	\$ 500.12
CSA #152 ⁽⁵⁾		50.90	50.90
Northwest Mosquito & Vector Control ⁽⁶⁾		10.60	10.60
Flood Control Stormwater/Cleanwater ⁽⁷⁾		3.02	3.02
Metropolitan Water District Standby West ⁽⁸⁾		9.22	9.22
CFD 4 IA 1 Temescal Valley Water District ⁽⁹⁾		<u>2,921.00</u>	<u>2,921.00</u>
SUBTOTAL SPECIAL TAXES, ASSESSMENTS AND CHARGES		\$3,494.86	\$3,494.86
<u>PROJECTED TOTAL PROPERTY TAXES</u>		<u>\$9,458.13</u>	<u>\$9,458.13</u>
Projected Total Effective Tax Rate (as % of Base Price)		<u>1.73575%</u>	<u>1.73575%</u>

- (1) Base price provided by Meyers Research as of October 2018. Estimated net assessed value reflects \$7,000 homeowner's exemption.
- (2) Estimated lot size for the Oakton project and estimated average unit size for Tax Class 1 of Zone B provided by Meyers Research as of October 2018.
- (3) Based on actual FY 2018-19 *ad valorem* rates for TRA 059-167.
- (4) Based on actual FY 2018-19 rate of \$500.12 per benefit unit.
- (5) Based on actual FY 2018-19 rate of \$50.90 per benefit unit.
- (6) Based on actual FY 2018-19 rate of \$10.60 per benefit unit.
- (7) Based on actual FY 2018-19 rate of \$22.50 per acre.
- (8) Based on actual FY 2018-19 rate of \$9.22 per parcel.
- (9) Expected amount based on the Temescal Valley Water District CFD No. 4 Improvement Area No. 1 Special Tax rate of \$2,921 per unit for Tax Class 1 property in Zone B, which is 100% of the Assigned Special Tax rate. Maximum Special Tax amount based on the greater of the Backup Special Tax rate or the Assigned Special Tax. The Backup Special Tax rate is expected to be reduced to \$16,145 per acre and the Assigned Special Tax is expected to be reduced to \$2,921 per unit pursuant to Section J of the Rate and Method. Prior to the reduction, the actual Fiscal Year 2018-19 Special Tax for Tax Class 1 property in Zone B was \$3,274.

Source: David Taussig & Associates, Inc.; Meyers Research.

Largest Taxpayers

Pulte, KB Home and CalAtlantic were responsible for approximately 22.76%, 14.25% and 5.52%, respectively, of the Special Tax levy for Fiscal Year 2018-19, while individual homeowners were responsible for approximately 57.48%. Based on development status as of August 22, 2018, and assuming no further lot transfers occur after such date, the Developer, Pulte and KB Home are expected to be responsible for

approximately 27.54%, 17.52% and 30.06%, respectively, of the projected Fiscal Year 2019-20 Special Tax levy, while individual homeowners are expected to be responsible for approximately 17.56%. Actual property ownership, development status, share of Fiscal Year 2019-20 Special Taxes and percent of total Special Taxes, will change to the extent that development, home construction and home sales occur. See “OWNERSHIP AND DEVELOPMENT OF IMPROVEMENT AREA NO. 1” and “SPECIAL RISK FACTORS — Concentration of Ownership.”

Special Tax History

Special Taxes within Improvement Area No. 1 were first levied in Fiscal Year 2018-19 in the amount of \$443,036. The first installment of the Fiscal Year 2018-19 Special Taxes will become delinquent if not paid on or prior to December 10, 2018 and the second installment will become delinquent if not paid on or before April 10, 2019.

OWNERSHIP AND DEVELOPMENT OF IMPROVEMENT AREA NO. 1

The information regarding the development and ownership of the Property contained under this caption, “OWNERSHIP AND DEVELOPMENT OF IMPROVEMENT AREA NO. 1,” has been provided by representatives of Forestar Toscana Development Company, a Delaware corporation (the “Developer”), KB Home California, LLC, a Delaware limited liability company (“KB Home”), Terramor 83, LLC, a California limited liability company (“Van Daele”), CalAtlantic Group, Inc., a Delaware corporation (“CalAtlantic”), and Pulte Home Company, a Michigan limited liability company (“Pulte”), and has not been independently confirmed or verified by the Underwriter, the Water District, or the District. The Underwriter, the Water District, and the District make no representation as to the accuracy or adequacy of the information contained under this caption. There may be material adverse changes in this information after the date of this Official Statement. Neither the Bonds nor the Special Taxes securing the Bonds are personal obligations of the Developer, KB Home, Van Daele, CalAtlantic or Pulte, or any affiliate thereof, or any other property owner and, in the event that any property owner defaults in the payment of its Special Taxes, the District may proceed with judicial foreclosure but has no direct recourse to the assets of any property owner or any affiliate thereof. See “SPECIAL RISK FACTORS” herein.”

Property Ownership in Improvement Area No. 1

Current Property Ownership. Property in Improvement Area No. 1 (the “Property”) consists of 598 single family lots owned as of August 22, 2018 as follows:

	<u>Property Owner</u>	<u>Number of Lots</u>
Forestar		171
KB Home		161
Van Daele		20
CalAtlantic		27
Pulte		114
Individuals		<u>105</u>
TOTAL		<u>598</u>

The 598 single family lots were created by the following maps:

<u>Map</u>	<u>Date Recorded</u>	<u>Number of Lots</u>
36593	November 15, 2017	83
36593-1	November 15, 2017	87
36593-2	March 1, 2017	83
36593-3	March 1, 2017	105
36593-4	March 1, 2017	105
36593-5	May 3, 2017	57
36593-6	March 20, 2018	<u>78</u>
TOTAL		<u>598</u>

Pursuant to an Option Agreement dated April 24, 2013 and a Purchase Agreement on November 21, 2014, the Developer closed on the purchase of the Property on January 15, 2015.

On May 9 2017, KB Home purchased 170 lots, located on approximately 24.06 acres on Tract Nos. 36593 and 36593-1 in Improvement Area No. 1. KB Home is currently developing and marketing those lots as single-family residences.

On March 5, 2018, Van Daele entered into a Purchase and Sale Agreement with the Developer (the “Van Daele Purchase Agreement”) for the purchase of 83 lots, comprising approximately 20.59 acres on Tract No. 36593-2 in Improvement Area No. 1. Pursuant to the Van Daele Purchase Agreement, as of August 22, 2018, Van Daele had acquired 20 of the 83 lots located on Tract No. 36593-2. Under the Van Daele Purchase Agreement, Van Daele is responsible for the payment of all property taxes, including the Special Taxes, and all costs of development applicable to the lots it has acquired. While the Van Daele Purchase Agreement remains in effect, Forestar is not responsible for any of such costs with respect to any lots that have been sold to Van Daele. The Van Daele Purchase Agreement may be terminated if, subject to the satisfaction of certain closing conditions, Van Daele does not acquire lots in accordance with the phased takedown schedule in the Van Daele Purchase Agreement, as such schedule may be extended or modified according to the terms of the Van Daele Purchase Agreement, or otherwise defaults under the Van Daele Purchase Agreement. The Van Daele Purchase Agreement currently provides for Van Daele’s phased acquisition of the remaining lots by November, 2020. Van Daele is currently developing and marketing those lots as single-family age-qualified residences.

On February 22, 2017, CalAtlantic entered into a Purchase and Sale Agreement with the Developer (the “CalAtlantic Purchase Agreement”) for the purchase of 105 lots, comprising approximately 32.41 acres on Tract No. 36593-3 in Improvement Area No. 1. In June, 2018, CalAtlantic and Developer modified the CalAtlantic Purchase Agreement such that CalAtlantic only has the right and obligation to acquire 37 lots on Tract No. 36593-3. Pursuant to the CalAtlantic Purchase Agreement, as of August 22, 2018, CalAtlantic had acquired 37 of the 105 lots located on Tract No. 36593-3 and has no obligation or right to acquire any additional lots.

On September 17, 2018, Pulte entered into a Purchase and Sale Agreement (“Pulte Tract No. 36593-3 Purchase Agreement”). Under the Pulte Tract No. 36593-3 Purchase Agreement, Pulte is responsible for the payment of all property taxes, including the Special Taxes, and all costs of development applicable to the lots it has acquired. The Pulte Tract No. 36593-3 Purchase Agreement may be terminated if, subject to the satisfaction of certain closing conditions, Pulte does not acquire lots in accordance with the phased takedown schedule in the Pulte Tract No. 36593-3 Purchase Agreement, as such schedule may be extended or modified according to the terms of the Pulte Tract No. 36593-3 Purchase Agreement, or otherwise defaults under the Pulte Tract No. 36593-3 Purchase Agreement. The Pulte Tract No. 36593-3 Purchase Agreement currently provides for Pulte’s phased acquisition of the remaining lots by August 15, 2019. CalAtlantic and Pulte are currently developing and marketing the lots in Tract No. 36593-3 as single-family age-qualified residences.

In July 2017 and March 2018, Pulte purchased 57 lots located on Tract No. 36593-5 and 38 lots located on Tract No. 36593-6, respectively, in Improvement Area No. 1. In September 2018, Pulte acquired an additional 40 lots on Tract No. 36593-6 from the Developer. Tract Nos. 36593-5 and 36593-6 comprise a total of 29.62 acres. Pulte is currently developing and marketing those lots as single-family age restricted residences.

In January 2017, Pulte purchased 105 lots, located on approximately 30.83 acres on Tract Nos. 36593-4 in Improvement Area No. 1. Pulte is currently developing and marketing those lots as single-family age restricted residences.

The Project

General. The Property, which comprises approximately 201.6 acres located in Improvement Area No. 1, is part of a residential community referred to as the “Terramor” development being developed by the Developer within and around Improvement Area No. 1 of the District. The Terramor Development is currently expected to contain approximately 1,443 single-family residential dwelling units (several of which will be age restricted), plus other uses. Forestar is responsible for constructing all in-tract infrastructure within Improvement Area No. 1 and for providing the merchant builders with lots in a finished condition. As of August 22, 2018, Forestar owned 171 lots within Improvement Area No. 1. The backbone infrastructure to serve Improvement Area No. 1 is in place with approximately \$2,400,000 left to expend on walls, streets water, repairs and soft costs to complete. It is anticipated that the majority of the remaining costs will be expended by Summer 2019.

Forestar Toscana Development Company. The Developer is a Delaware corporation. The sole shareholder of the Developer is Forestar Land Partners III, L.L.C., a Delaware limited liability company (“Forestar”). Forestar is a joint venture between Foremost Land 2, LLC and Forestar Land Holdings II, L.L.C. The day to day operations of Foremost Land 2, LLC are managed by Foremost Companies (“Foremost”), a land investment firm that acquires property to entitle and sell to homebuilders and commercial developers. Since inception, Foremost and its affiliates have owned and/or managed over 12,000 residential lots across California. Forestar Land Holdings II, L.L.C. is owned by certain affiliates of Starwood Capital Group Global, LLC (“Starwood”). Starwood is a national land investment firm with approximately \$60 billion in assets that acts as a financial partner to Foremost with respect to the acquisition of properties in Southern California.

Information regarding Foremost’s operations in southern California is available at www.foremostcompanies.com. *This Internet address is included for reference only, and the information on such Internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such Internet site.*

Environmental Status. According to the Developer, there are no environmental issues that would prevent the planned development of the property within Improvement Area No. 1, as such is described in this Official Statement.

Utilities. It is expected that utility service for the taxable property in Improvement Area No. 1 will be provided by the following entities:

<u>Utility</u>	<u>Provider</u>
Electricity	Southern California Edison Company
Natural Gas	The Gas Company
Sewer/Water	Temescal Valley Water District
Schools	Corona-Noro Unified School District

Source: Appraisal Report.

Infrastructure Development. The Developer has expended over \$103,000,000 million on improvements for Improvement Area No. 1. These improvements include improvements to Temescal Canyon Road, grading, installation of backbone infrastructure and intract infrastructure, landscaping, and the construction of two bridges across the Temescal Creek, a storm drain culvert, a sewer lift station, and two recreation centers. The Developer expects to finish constructing the last of the backbone infrastructure improvements in Improvement Area No. 1 (collectively, the “Improvements”) by the summer of 2019.

The Developer anticipates that approximately \$7,600,000 of Bond proceeds will be retained by the Water District to fund the expansion of a wastewater treatment facility and the remaining Bond proceeds will be used to acquire public improvements completed by the Developer. The Developer has used and will continue to use internal equity to finance the remaining improvements.

Notwithstanding the belief of the Developer that it will have sufficient funds to complete its planned development in Improvement Area No. 1, no assurance can be given that sources of financing available to the Developer will be sufficient to complete such development as currently anticipated. While the Developer has made internal financing available in the past for similar activities, there can be no assurance whatsoever of its willingness or ability to do so in the future. Neither the Developer nor any of its affiliates has any legal obligation of any kind to make any such funds available or to obtain loans or lines of credit. If and to the extent that internal financing, loan proceeds, lines of credit, or bond proceeds are inadequate to pay the costs to complete the Developer’s planned development in Improvement Area No. 1, there could be a shortfall in the funds required to complete such proposed development and portions of such development might not be completed.

The Merchant Builders

KB Home California, LLC. As previously defined in this Official Statement, KB Homes California, LLC, a Delaware limited liability company (“KB Home”), is a wholly-owned subsidiary of KB Home, a Delaware corporation (“KB Home Parent”), whose principal executive offices are located in Los Angeles, California. KB Home is a publicly traded company listed on the New York Stock Exchange (the “NYSE”) under the ticker symbol “KBH.” KB Home Parent files annual, quarterly and current reports, proxy statements and other information with the SEC. KB Home Parent’s SEC filings are available to the public at the SEC’s website at www.sec.gov, and at KB Home Parent’s website at www.kbhome.com. Such Internet address is included for reference only, and the information on such Internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement.

Founded in 1957, KB Home Parent constructs and sells homes through its operating divisions under the name KB Home Parent. KB Home Parent’s ongoing principal operations are in seven states, including California, Arizona, Nevada, Colorado, Texas, Florida, and North Carolina within 36 major markets. KB Home Parent first developed homes in California in 1963. KB Home Parent’s homebuilding operations offer a variety of homes designed primarily for first-time, move-up and active adult homebuyers, including attached and detached single-family homes, townhomes and condominiums.

KB Home Development Plan. KB Home has substantially completed development of a total of 170 single-family homes in Improvement Area No. 1. These homes will be located in a gated planned residential community. The proposed 170 single-family homes in Improvement Area No. 1 will have two-stories built on approximately 4,000 square foot minimum lots and will have six (6) different home plans ranging in size from 2,229 square feet to 2,790 square feet with base sales prices ranging from \$453,990 to \$491,990. As of August 22, 2018, of the 170 single family homes built or to be built by KB Home, 9 homes were completed and sold to individual homeowners, 11 homes were completed but not sold (including 6 model homes), 40 homes were under construction, and the remaining 110 homes are to be constructed on physically finished lots, and a total of 45 homes are in escrow to be sold. As of November 1, 2018, an additional 1 home had been completed and sold to individual homeowners, 14 homes were completed (including 6 model homes), 53 homes were under construction, and a total of 54 homes were in escrow to be sold.

KB Home’s Caraway and Sorrel projects are planned to consist of 170 detached single family residences. The tables below summarize, as of August 22, 2018, the product mix and development status of KB Home’s Caraway and Sorrel projects within Improvement Area No. 1.

**TABLE 10
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT (IMPROVEMENT AREA NO. 1)
KB HOME
CARAWAY**

<i>Plan</i>	<i>Total Units Planned</i>	<i>Estimated Home Square Footage</i>	<i>Closings as of August 22, 2018</i>	<i>Completed Homes/Homes Under Construction⁽¹⁾</i>	<i>Finished Lots</i>	<i>Homes in Escrow</i>	<i>Base Home Prices⁽²⁾</i>
1	32	2,282	2	8	22	4	\$457,900
2	35	2,537	2	11	22	11	476,990
3	<u>34</u>	2,790	<u>0</u>	<u>9</u>	<u>25</u>	<u>9</u>	491,990
Total	101		4	28	69	24	

⁽¹⁾ Includes 3 completed model homes.

⁽²⁾ Base home prices shown exclude lot premiums, options and extras and any incentives or price reductions. Base sales prices are subject to change.

Source: KB Home.

**TABLE 11
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT (IMPROVEMENT AREA NO. 1)
KB HOME
SORREL**

<i>Plan</i>	<i>Total Units Planned</i>	<i>Estimated Home Square Footage</i>	<i>Closings as of August 22, 2018</i>	<i>Completed Homes/Homes Under Construction⁽¹⁾</i>	<i>Finished Lots</i>	<i>Homes in Escrow</i>	<i>Base Home Prices⁽²⁾</i>
1	17	2,229	1	7	9	5	453,990
2	37	2,402	2	14	21	15	469,990
3	<u>15</u>	2,602	<u>2</u>	<u>2</u>	<u>11</u>	<u>1</u>	482,990
Total	69		5	23	41	21	

⁽¹⁾ Includes 3 completed model homes.

⁽²⁾ Base home prices shown exclude lot premiums, options and extras and any incentives or price reductions. Base sales prices are subject to change.

Source: KB Home.

KB Home Financing Plan. Through August 22, 2018, KB Home had spent approximately \$38,883,198 on land acquisition, design and construction costs on its project within Improvement Area No. 1. KB Home expects to spend approximately \$36,761,401 in additional site development, permit and impact fees, and direct and indirect construction costs between August 23, 2018 and full build-out of the homes proposed to be constructed (exclusive of internal financing repayment, sales and marketing, corporate overhead and other carrying costs), which is expected to occur by June 2020.

To date, KB Home has financed its land acquisition costs and various site development and home construction costs related to its property within Improvement Area No. 1 through internally generated funds. KB Home expects to use internal funding (which may include home sales revenues from its project within Improvement Area No. 1) to complete its development activities within Improvement Area No. 1. The following table shows KB Home's estimated sources and uses of funds for developing the property that it owns within Improvement Area No. 1:

**TABLE 12
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT (IMPROVEMENT AREA NO. 1)
KB HOME ESTIMATED CASH FLOW**

	<i>Total Budget</i>	<i>Through August 22, 2018</i>	<i>August 23, 2018 Through Buildout</i>
Sources of Funds			
KB Home Corporate (Internal Funds)	\$ 75,654,599	\$ 38,883,198	\$ 36,761,401
Uses of Funds			
Land	\$ 25,445,000	\$ 25,445,000	\$ 0
Site Construction (In-tracts)	9,988,496	5,819,209	4,169,287
Direct Construction	31,646,350	6,329,270	25,317,080
Fees & Technical & Permits	4,291,990	504,940	3,787,050
Service & Warranty	493,680	58,080	435,600
Selling & Marketing	2,547,280	299,680	2,247,600
General & Administrative	478,682	56,315	422,367
Property Taxes & Other	753,121	370,704	382,417
Total Uses of Funds	\$ 75,644,599	\$ 38,883,198	\$ 36,761,401

Source: KB Home.

Although KB Home expects to have sufficient funds available to complete its development activities in Improvement Area No. 1 in accordance with the development timing described in this Official Statement, there can be no assurance that amounts necessary to finance the remaining development and home construction costs will be available from KB Home or any other source when needed. For example, home sales revenue, which is accumulated daily for use in operations by KB Home, including to fund costs of other direct and indirect subsidiaries, to pay debt service on outstanding debt and for other corporate purposes, may be diverted to pay costs other than the costs of completing KB Home’s activities in Improvement Area No. 1 at the discretion of KB Home’s management. KB Home, its lenders, or any of their related entities are not under any legal obligation of any kind to expend funds for the development of and construction of homes on KB Home’s property in Improvement Area No. 1. Any contributions by KB Home to fund the costs of such development and home construction are entirely voluntary.

Terramor 83, LLC. As previously defined in this Official Statement, Terramor 83, LLC, a California limited liability company (“Van Daele”). The managing member of Van Daele is Van Daele Homes, Inc., a California corporation (“Van Daele Inc.”). The principals of Van Daele Inc. are Jeffrey M. Hack, Michael B. Van Daele and Michael C. Van Daele. Van Daele Development Corporation (“VDDC”) is managing the development and construction of the homes for Terramor 83. VDDC and Van Daele are under common ownership. VDDC is a privately held corporation which was founded in 1987 by Michael B. Van Daele. VDDC was formed to develop land, single family homes, condominiums and apartments in and around the Inland Empire. Projects Van Daele Inc. is currently developing are located within Orange, San Diego, Los Angeles, Riverside and San Bernardino Counties. Additionally, an affiliate of Van Daele Inc. is currently building single family homes in Contra Costa County in Northern California.

Since its formation, VDDC has developed land for nearly 16,000 homes, condominiums and apartments in Southern California. VDDC currently has 12 housing projects under construction which total more than 535 units that are at this time, planned for delivery from 2018 to 2020.

Van Daele Development Plan. As of August 22, 2018, Van Daele owned 20 lots in Improvement Area No. 1, all of which were in partially finished condition. The Developer owned an additional 63 lots in partially finished condition that Van Daele is contractually obligated to acquire by November, 2020. As of November 1, 2018, no homes had been completed and sold to individual homeowners.

Van Daele's Oakton project is planned to consist of 83 detached single family age restricted residences. The table below summarizes, as of August 22, 2018, the product mix and development status of Van Daele's Oakton project within Improvement Area No. 1.

**TABLE 13
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT (IMPROVEMENT AREA NO. 1)
VAN DAELE
OAKTON**

<i>Plan</i>	<i>Total Units Planned</i>	<i>Estimated Home Square Footage</i>	<i>Closings as of August 22, 2018</i>	<i>Completed Homes/Homes Under Construction⁽¹⁾</i>	<i>Finished Lots</i>	<i>Homes in Escrow</i>	<i>Base Home Prices⁽²⁾</i>
1	28	2,501	0	0	0	0	\$529,000
2	27	2,666	0	0	0	0	544,000
3	<u>28</u>	2,716	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	549,000
Total	83		0	0	0	0	

⁽¹⁾ Includes 0 completed model homes.

⁽²⁾ Base home prices shown exclude lot premiums, options and extras and any incentives or price reductions. Base sales prices are subject to change.

Source: Van Daele.

Van Daele Financing Plan. Through November 2, 2018, Van Daele had spent approximately \$3,896,749 on land acquisition, design and construction costs on its project within Improvement Area No. 1. Van Daele expects to spend approximately \$35,608,717 in additional site development, permit and impact fees, and direct and indirect construction costs between November 3, 2018 and full build-out of the homes proposed to be constructed (exclusive of internal financing repayment, sales and marketing, corporate overhead and other carrying costs), which is expected to occur by November 2021.

To date, Terramor has financed its land acquisition costs and various site development and home construction costs related to its property within Improvement Area No. 1 through internally generated funds. Terramor expects to use internal funding (which may include home sales revenues from its project within Improvement Area No. 1) to complete its development activities within Improvement Area No. 1. The following table shows Terramor's estimated sources and uses of funds for developing the property that it owns within Improvement Area No. 1:

TABLE 14
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT (IMPROVEMENT AREA NO. 1)
VAN DAELE ESTIMATED CASH FLOW

	<i>Total Budget</i>	<i>Through November 2, 2018</i>	<i>November 3, 2018 Through Buildout</i>
Sources of Funds			
Van Daele Corporate (Internal Funds)	\$39,505,466	\$ 3,896,749	\$ 35,608,717
Uses of Funds			
Land	\$ 8,300,000	\$ 2,630,100	\$ 5,669,900
Site Construction (In-tracts)	1,829,272	59,265	1,770,007
Direct Construction	19,498,142	0	19,498,142
Fees & Technical & Permits	3,085,343	804,174	2,281,169
Service & Warranty	498,000	0	498,000
Field Expenses	13,054	1,110	11,944
Selling & Marketing	2,342,188	48,145	2,294,043
General & Administrative	3,801,445	353,914	3,447,531
Property Taxes & Other	138,021	40	137,981
Total Uses of Funds	\$ 39,505,466	\$ 3,896,749	\$ 35,608,717

Source: Van Daele.

Although Van Daele expects to have sufficient funds available to complete its development activities in Improvement Area No. 1 in accordance with the development timing described in this Official Statement, there can be no assurance that amounts necessary to finance the remaining development and home construction costs will be available from Van Daele or any other source when needed. For example, home sales revenue, which is accumulated daily for use in operations by Van Daele, including to fund costs of other direct and indirect subsidiaries, to pay debt service on outstanding debt and for other corporate purposes, may be diverted to pay costs other than the costs of completing Van Daele's activities in Improvement Area No. 1 at the discretion of Van Daele's management. Van Daele, its lenders, or any of their related entities are not under any legal obligation of any kind to expend funds for the development of and construction of homes on Van Daele's property in Improvement Area No. 1. Any contributions by Van Daele to fund the costs of such development and home construction are entirely voluntary.

CalAtlantic Group, Inc. In 2015, Standard Pacific Corp., a Delaware corporation and Ryland Group, Inc. merged to create CalAtlantic Group, Inc., a Delaware corporation (previously defined as "CalAtlantic"), one of the largest homebuilders in the United States. On February 12, 2018, Lennar Corporation, a Delaware corporation ("Lennar Corporation"), completed the acquisition of CalAtlantic through a transaction in which CalAtlantic was merged with and into a wholly-owned subsidiary of Lennar Corporation ("Merger Sub"), with Merger Sub continuing as the surviving corporation and a subsidiary of Lennar Corporation (the "Merger"). Merger Sub then changed its name to CalAtlantic Group, Inc.

Lennar Corporation, founded in 1954 and publicly traded under the symbol "LEN" since 1971, is one of the nation's largest home builders, operating under a number of brand names, including Lennar Homes and U.S. Home. The company primarily develops residential communities both within the Lennar family of builders and through consolidated and unconsolidated partnerships in which the company maintains an interest.

Lennar Corporation is subject to the informational requirements of the Exchange Act and in accordance therewith files reports, proxy statements and other information with the SEC. Such filings, particularly the Annual Report on Form 10-K and its most recent Quarterly Report on Form 10-Q, may be inspected and copied at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Such filings set forth, among other things, certain data relative to the consolidated results of

operations and financial position of Lennar and its subsidiaries (including CalAtlantic). Such files can also be accessed over the internet at the SEC's website at www.sec.gov. Copies of Lennar Corporation's Annual Report and related financial statements, prepared in accordance with generally accepted accounting standards, are available from Lennar Corporation's website at www.lennar.com. The foregoing internet addresses are included for reference only and the information on the internet sites are not a part of this Official Statement and are not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such internet sites.

Recent Litigation Against Lennar Corporation. A lawsuit was filed in the state court of California against Lennar Corporation relating to Lennar Corporation and LandSource Communities Development, LLC, a Delaware limited liability company ("LandSource"), in which the California Public Employees' Retirement System ("CalPers") invested in 2007. LandSource filed for bankruptcy on June 8, 2008 ("LandSource Bankruptcy Matter"), and a plan for reorganization was approved by the bankruptcy court on July 20, 2009. (In re: LandSource Communities Development LLC, et al, Case No. 08-11111, United States Bankruptcy Court, District of Delaware.) The complaint, which is filed as a qui tam action by a newly created limited liability company, makes a number of claims related to Lennar Corporation's actions regarding LandSource and the related bankruptcy and seeks injunctive relief and damages (including statutory and treble) relating to CalPers' alleged \$970 million loss. Lennar Corporation has filed a petition to remove the complaint to federal court (Citizens Against Corporate Crime v. Lennar Corporation (9th Circuit, California Eastern District Court, Case No. 2:2018cv01269). Lennar Corporation has also filed a Motion to Reopen the Chapter 11 Bankruptcy Cases for the Limited Purpose of Enforcing the Injunction and Release in the Debtors' Joint Chapter 11 Plan and Confirmation Order. On July 17, 2018, the Bankruptcy Court granted that motion, allowing Lennar Corporation to proceed with filing its proposed enforcement motion. Persons released in the LandSource Bankruptcy Matter include Lennar Corporation. Lennar Corporation contends that in addition to the complaint being barred by the release and injunction in the LandSource Bankruptcy Matter, the complaint is meritless and barred by applicable statutes of limitation and other defenses. CalAtlantic is not a party to the complaint. CalAtlantic believes that even if, in the unlikely event, the complaint is successful against Lennar Corporation, CalAtlantic will be able to complete the development and sale of its project within Improvement Area No. 1 as described in this Official Statement and pay Special Taxes and *ad valorem* tax obligations on the property that it owns within Improvement Area No. 1 prior to delinquency during CalAtlantic's period of ownership.

CalAtlantic Development Plan. CalAtlantic's Sterling project was initially planned for 105 single-family age restricted residences. However, CalAtlantic only acquired 37 of the 105 lots before it decided to terminate the CalAtlantic Option Agreement. The table below summarizes, as of August 22, 2018, the product mix and development status of CalAtlantic's Sterling project within Improvement Area No. 1. As of November 1, 2018, no additional homes had been completed and sold to individual homeowners.

**TABLE 15
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT (IMPROVEMENT AREA NO. 1)
CALATLANTIC
STERLING**

<i>Plan</i>	<i>Total Units Planned</i>	<i>Estimated Home Square Footage</i>	<i>Closings as of August 22, 2018</i>	<i>Completed Homes/Homes Under Construction⁽¹⁾</i>	<i>Finished Lots</i>	<i>Homes in Escrow</i>	<i>Base Home Prices⁽²⁾</i>
1	9	2,206	3	3	3	1	\$479,000
2	4	2,483	2	2	0	1	500,900
3	11	2,291	2	6	3	4	487,900
4	<u>13</u>	2,454	<u>3</u>	<u>6</u>	<u>4</u>	<u>4</u>	515,900
Total	37		10	17	10	10	

(1) Includes 3 completed model homes.

(2) Base home prices shown exclude lot premiums, options and extras and any incentives or price reductions. Base sales prices are subject to change.

Source: CalAtlantic.

CalAtlantic Financing Plan. Through November 1, 2018, CalAtlantic had spent approximately \$9.3 million on land acquisition, design and construction costs on its project within Improvement Area No. 1. CalAtlantic expects to spend approximately \$120,000 in additional site development, permit and impact fees, and direct and indirect construction costs between November 1, 2018 and full build-out of the homes proposed to be constructed (exclusive of internal financing repayment, sales and marketing, corporate overhead and other carrying costs), which is expected to occur by June 2019.

To date, CalAtlantic has financed its land acquisition costs and various site development and home construction costs related to its property within Improvement Area No. 1 through internally generated funds. CalAtlantic expects to use internal funding (which may include home sales revenues from its project within Improvement Area No. 1) to complete its development activities within Improvement Area No. 1.

Although CalAtlantic expects to have sufficient funds available to complete its development activities in Improvement Area No. 1 in accordance with the development timing described in this Official Statement, there can be no assurance that amounts necessary to finance the remaining development and home construction costs will be available from CalAtlantic or any other source when needed. For example, home sales revenue, which is accumulated daily for use in operations by CalAtlantic, including to fund costs of other direct and indirect subsidiaries, to pay debt service on outstanding debt and for other corporate purposes, may be diverted to pay costs other than the costs of completing CalAtlantic's activities in Improvement Area No. 1 at the discretion of CalAtlantic's management. CalAtlantic, its lenders, or any of their related entities are not under any legal obligation of any kind to expend funds for the development of and construction of homes on CalAtlantic's property in Improvement Area No. 1. Any contributions by CalAtlantic to fund the costs of such development and home construction are entirely voluntary.

Pulte Home Company. As previously defined in this Official Statement, Pulte Home Company, a Michigan limited liability company ("Pulte"), is an indirect wholly-owned subsidiary of PulteGroup, Inc., a Michigan corporation ("PulteGroup"), a publicly-held holding company based in Atlanta, Georgia whose subsidiaries engage primarily in the homebuilding business. The company also has mortgage banking operations, conducted principally through Pulte Mortgage LLC and title operations. PulteGroup is a Michigan corporation organized in 1956 whose common stock trades on the New York Stock Exchange under the symbol "PHM."

Through its brand portfolio which includes Pulte, Pulte Homes, Del Webb, DiVosta Homes, and John Weiland Homes and Neighborhoods, PulteGroup and its subsidiaries offer a wide variety of home designs, including single-family detached, townhouses, condominiums, and duplexes at different prices and with varying levels of options and amenities to the company's major customer groups: first-time, move-up, and active adult. Over its history, PulteGroup and its subsidiaries have delivered over 680,000 homes. As of December 31, 2017, PulteGroup, through its subsidiaries, conducted operations in approximately 49 markets located throughout 25 states.

PulteGroup is subject to the informational requirements of the Exchange Act, and in accordance therewith files reports, proxy statements and other information, including financial statements, with the SEC. Such filings, particularly PulteGroup's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, as filed by PulteGroup with the U.S. Securities and Exchange Commission (SEC) on February 7, 2018, set forth certain data relative to the consolidated results of operations and financial position of PulteGroup and its subsidiaries, including the Developer, as of such dates.

The SEC maintains an Internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including PulteGroup. The address of such Internet web site is www.sec.gov. In addition, the aforementioned material may also be inspected at the offices of the NYSE at 20 Broad Street, New York, NY 10005. All documents subsequently filed by PulteGroup pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. Copies of PulteGroup's Annual Report and each of its other quarterly and current reports, including any amendments, are available from PulteGroup's website at www.pultegroup.com. The foregoing internet addresses are included for reference only and the information on the internet sites are not a part of this Official Statement and are not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such internet sites.

Pulte Development Plan. Under its Del Webb brand, Pulte plans to develop 308 single family age-qualified homes in Improvement Area No. 1. These homes will be located in a gated planned residential community marketed as two separate neighborhoods known as Cortina and Ardena, The Cortina neighborhood is planned to include 105 lots within Tract No. 36593-4, Cortina 1 (minimum lots sizes of 4,500 SF) and 68 lots within Tract No. 36593-3, Cortina 2 (minimum lot sizes of 5,500 SF), which are planned for to consist of three single-story floor plans ranging from 1,999 SF – 2,172 SF at sales prices ranging from \$482,990 to \$497,990. The Ardena neighborhood is planned to include 57 lots within Tract No. 36593-5 (minimum lot sizes of 4,500 SF) and 78 lots within Tract No. 36593-6 (minimum lot sizes of 4,500 SF), which are planned to consist of three single-story floor plans ranging from 1,579 SF – 1,865 SF at sales prices ranging from \$431,990 to \$460,990.

As of August 22, 2018, 114 lots were owned by Pulte including 6 model homes, 86 lots were owned by individual homeowners, and 108 lots were owned by Forestar. Of the 114 lots owned by Pulte, 6 model homes and 9 production homes were completed (2 of which were sold), 24 homes were under various stages of construction (20 of which were sold), 75 lots were in finished lot condition (11 of which were sold). The tables below summarize, as of August 22, 2018, the product mix and development status of Pulte's Cortina 2, Cortina 1 and Ardena projects within Improvement Area No. 1. A total of 152 building permits have been issued for the Cortina 1 and Ardena neighborhoods.

As of November 1, 2018, 140 lots were owned by Pulte including 6 model homes, 100 lots were owned by individual homeowners, and 68 lots were owned by Forestar. Of the 140 lots owned by Pulte, 6 model homes and 8 production homes were completed (3 of which were sold), 28 homes were under various stages of construction (22 of which were sold), and 98 lots were in finished lot condition (5 of which were sold). As of November 1, 2018, a total of 152 building permits have been issued for the Cortina 1 and Ardena neighborhoods.

**TABLE 16
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT (IMPROVEMENT AREA NO. 1)
PULTE
CORTINA 2**

<i>Plan</i>	<i>Total Units Planned⁽¹⁾</i>	<i>Estimated Home Square Footage</i>	<i>Closings as of August 22, 2018</i>	<i>Completed Homes/Homes Under Construction⁽²⁾</i>	<i>Finished Lots</i>	<i>Homes in Escrow</i>	<i>Base Home Prices⁽³⁾</i>
1	22	1,999	0	0	22	0	\$482,990
2	23	2,056	0	0	23	0	487,990
3	<u>23</u>	2,172	<u>0</u>	<u>0</u>	<u>23</u>	<u>0</u>	497,990
Total	68		0	0	68	0	

⁽¹⁾ Pulte plans to acquire the 68 lots within Tract No. 36593-3 in December 2018.

⁽²⁾ Includes 0 completed model homes.

⁽³⁾ Base home prices shown exclude lot premiums, options and extras and any incentives or price reductions.
Base sales prices are subject to change.

Source: Pulte.

TABLE 17
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT (IMPROVEMENT AREA NO. 1)
PULTE
CORTINA 1

<i>Plan</i>	<i>Total Units Planned</i>	<i>Estimated Home Square Footage</i>	<i>Closings as of August 22, 2018</i>	<i>Completed Homes/Homes Under Construction⁽¹⁾</i>	<i>Finished Lots</i>	<i>Homes in Escrow</i>	<i>Base Home Prices⁽²⁾</i>
1	35	1,999	15	8	12	3	\$482,990
2	34	2,056	17	8	9	8	487,990
3	<u>36</u>	2,172	<u>13</u>	<u>9</u>	<u>14</u>	<u>4</u>	497,990
Total	105		45	25	35	15	

⁽¹⁾ Includes 3 completed model homes.

⁽²⁾ Base home prices shown exclude lot premiums, options and extras and any incentives or price reductions. Base sales prices are subject to change.

Source: Pulte.

TABLE 18
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT (IMPROVEMENT AREA NO. 1)
PULTE
ARDENA

<i>Plan</i>	<i>Total Units Planned</i>	<i>Estimated Home Square Footage</i>	<i>Closings as of August 22, 2018</i>	<i>Completed Homes/Homes Under Construction⁽¹⁾</i>	<i>Finished Lots</i>	<i>Homes in Escrow</i>	<i>Base Home Prices⁽²⁾</i>
1	42	1,579	13	4	25	6	\$431,990
2	45	1,731	12	5	28	7	446,990
3	<u>48</u>	1,865	<u>16</u>	<u>5</u>	<u>27</u>	<u>5</u>	460,990
Total	135		41	14	80	18	

⁽¹⁾ Includes 3 completed model homes.

⁽²⁾ Base home prices shown exclude lot premiums, options and extras and any incentives or price reductions. Base sales prices are subject to change.

Source: Pulte.

Pulte Financing Plan. Through August 22, 2018, Pulte had spent approximately \$61,718,170 on land acquisition, design and construction costs on its project within Improvement Area No. 1. Pulte expects to spend approximately \$70,019,940 in additional site development, permit and impact fees, and direct and indirect construction costs between August 23, 2018 and full build-out of the homes proposed to be constructed (exclusive of internal financing repayment, sales and marketing, corporate overhead and other carrying costs), which is expected to occur by fourth quarter 2020.

To date, Pulte has financed its land acquisition costs and various site development and home construction costs related to its property within Improvement Area No. 1 through internally generated funds. Pulte expects to use internal funding (which may include home sales revenues from its project within Improvement Area No. 1) to complete its development activities within Improvement Area No. 1. The following

table shows Pulte’s estimated sources and uses of funds for developing the property that it owns within Improvement Area No. 1:

**TABLE 19
TEMESCAL VALLEY WATER DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
IMPROVEMENT AREA NO. 1
PULTE ESTIMATED CASH FLOW**

	<i>Total Budget</i>	<i>Through August 22, 2018</i>	<i>August 23, 2018 Through Buildout</i>
Sources of Funds			
PULTE Corporate (Internal Funds)	\$131,738,110	\$61,718,170	\$70,019,940
Uses of Funds			
Land	48,169,069	30,273,669	17,895,400
Site Construction (In-tracts)	19,351,491	8,405,255	10,946,236
Direct Construction	58,111,613	21,219,486	36,892,127
Fees & Technical & Permits	<u>6,105,937</u>	<u>1,819,760</u>	<u>4,286,177</u>
Total Uses of Funds	\$131,738,110	\$61,718,170	\$70,019,940

Source: Pulte.

Although Pulte expects to have sufficient funds available to complete its development activities in Improvement Area No. 1 in accordance with the development timing described in this Official Statement, there can be no assurance that amounts necessary to finance the remaining development and home construction costs will be available from Pulte or any other source when needed. For example, home sales revenue, which is accumulated daily for use in operations by Pulte, including to fund costs of other direct and indirect subsidiaries, to pay debt service on outstanding debt and for other corporate purposes, may be diverted to pay costs other than the costs of completing Pulte’s activities in Improvement Area No. 1 at the discretion of Pulte’s management. Pulte, its lenders, or any of their related entities are not under any legal obligation of any kind to expend funds for the development of and construction of homes on Pulte’s property in Improvement Area No. 1. Any contributions by Pulte to fund the costs of such development and home construction are entirely voluntary.

SPECIAL RISK FACTORS

The purchase of the Bonds involves significant risks that are not appropriate investments for certain investors. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. The Bonds have not been rated by a rating agency. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in Improvement Area No. 1 of the District to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in Improvement Area No. 1 of the District. See “—Land Values” and “—Limited Secondary Market.”

Risks of Real Estate Secured Investments Generally

The Bond owners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without

limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; and (iii) natural disasters (including, without limitation, earthquakes, fires and floods), which may result in uninsured losses.

No assurance can be given that the Developer, the merchant builders or any future homeowners within Improvement Area No. 1 of the District will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See “—Bankruptcy and Foreclosure” below, for a discussion of certain limitations on the Water District’s ability to pursue judicial proceedings with respect to delinquent parcels.

Tax Cuts and Jobs Act

H.R. 1 of the 115th U.S. Congress, known as the “Tax Cuts and Jobs Act,” was enacted into law on December 22, 2017 (the “Tax Act”). The Tax Act makes significant changes to many aspects of the Internal Revenue Code of 1986, as amended (the “Code”). For example, the Tax Act reduces the amount of mortgage interest expense and state and local income tax and property tax expense that individuals may deduct from their gross income for federal income tax purposes, which could increase the cost of home ownership within Improvement Area No. 1. However, neither the Water District nor the District can predict the effect that the Tax Act may have on the cost of home ownership or the price of homes in Improvement Area No. 1 or the ability or willingness of homeowners to pay Special Taxes or property taxes.

Concentration of Ownership

Based on the ownership status of the property within Improvement Area No. 1 as of August 22, 2018, assuming no additional sales within Improvement Area No. 1, approximately 82.44% of the Special Taxes projected to be levied in Fiscal Year 2019-20 would be payable by the Developer and the merchant builders. Failure of the Developer, the merchant builders, entities affiliated with the Developer or the merchant builders or any successor(s), to pay the annual Special Taxes when due could result in a draw on the Reserve Account of the Special Tax Fund, and ultimately a default in payments of the principal of, and interest on, the Bonds, when due. No assurance can be given that the merchant builders or any successors, will complete the remaining intended construction and development in Improvement Area No. 1 of the District. See “—Failure to Develop Properties.”

Undeveloped Property is defined in the Rate and Method as property not classified as Developed Property, Approved Property or Other Taxable Property. Special Taxes will not be levied on Undeveloped Property in Fiscal Year 2018-19, though parcels classified as Undeveloped Property may be levied against in the future. No assurance can be given that the Developer, the merchant builders, their successors, or their affiliated entities will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See “—Bankruptcy and Foreclosure” for a discussion of certain limitations on the District’s ability to pursue judicial proceedings with respect to delinquent parcels.

Limited Obligations

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

Insufficiency of Special Taxes

Under the Rate and Method, the annual amount of Special Tax to be levied on each taxable parcel in Improvement Area No. 1 will generally be based on the land use class to which a parcel of Developed Property is assigned. See APPENDIX A—“RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” and “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—*Rate and Method of Apportionment of Special Tax.*”

In order to pay debt service on the Bonds, it is necessary that the Special Taxes be paid in a timely manner. Should the Special Taxes not be paid on time, the District will establish and fund upon the issuance of the Bonds a Reserve Account of the Special Tax Fund in an amount equal to the Reserve Requirement to pay debt service on the Bonds to the extent other funds are not available. See “SOURCES OF PAYMENT FOR THE BONDS—Reserve Account of the Special Tax Fund.” The District will covenant to maintain in the Reserve Account of the Special Tax Fund an amount equal to the Reserve Requirement subject, however, to the limitation that the District may not levy the Special Tax in Improvement Area No. 1 of the District in any fiscal year at a rate in excess of the maximum amounts permitted under the Rate and Method and the Act. As a result, if a significant number of delinquencies occurs, the District could be unable to replenish the Reserve Account of the Special Tax Fund to the Reserve Requirement due to the limitations on the maximum Special Tax. If such defaults were to continue in successive years, the Reserve Account of the Special Tax Fund could be depleted and a default on the Bonds could occur. See “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—*Limitation on Special Tax Levy and Potential Impact on Coverage.*”

The District will covenant in the Indenture that, under certain conditions, it will institute foreclosure proceedings to sell any property with delinquent Special Taxes in order to obtain funds to pay debt service on the Bonds. If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest. See “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—*Proceeds of Foreclosure Sales*” for provisions which apply in the event of such foreclosure and which the District is required to follow in the event of delinquencies in the payment of the Special Tax.

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to owners of the Bonds (if the Reserve Account of the Special Tax Fund has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the District of the proceeds of sale. The District may adjust the future Special Tax levied on taxable parcels in Improvement Area No. 1 of the District, subject to the limitation on the maximum Special Tax, to provide an amount required to pay interest on, principal of, and redemption premiums, if any, on the Bonds, and the amount, if any, necessary to replenish the Reserve Account of the Special Tax Fund to an amount equal to the Reserve Requirement and to pay all current expenses. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against taxable parcels in Improvement Area No. 1 of the District will be at all times sufficient to pay the amounts required to be paid by the Indenture, even if the Special Tax is levied at the maximum Special Tax rates. See “—Bankruptcy and Foreclosure” for a discussion of potential delays in foreclosure actions.

The Rate and Method governing the levy of the Special Tax provides that no Special Tax shall be levied on property that is not located in Improvement Area No. 1. No Special Tax shall be levied on Property Owner Association Property and Public Property (as such terms are defined in the Rate and Method) so long as the Acreage of Taxable Property is at least 18.15 Acres within Zone A and 69.37 Acres within Zone B. To the extent that the exemption of an Assessor’s Parcel of Property Owner Association Property or Public Property would reduce the acreage of Taxable Property below 18.15 Acres in Zone A or 69.37 Acres in Zone B, such Assessor’s Parcel shall be classified as Taxable Property Owner Association Property or Taxable Public property and shall be subject to the Special Tax. See APPENDIX A—“RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” If for any reason property within Improvement Area No. 1 becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government or another public agency, subject to the limitations of the maximum authorized rates, the Special Tax will be reallocated to the remaining taxable

properties within Improvement Area No. 1. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the ability and willingness of the owners of such property to pay the Special Tax when due.

The Rate and Method governing the levy of the Special Tax provides that, once a parcel is classified as Taxable Property, it will remain subject to a Special Tax levy even if it is subsequently acquired by a public agency. The Act provides that, if any property within Improvement Area No. 1 not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. Due to problems of collecting taxes from public agencies, if a substantial portion of land within Improvement Area No. 1 was to become owned by public agencies, collection of the Special Tax might become more difficult and could result in collections of the Special Tax which might not be sufficient to pay principal of and interest on the Bonds when due and a default could occur with respect to the payment of such principal and interest.

Failure to Develop Properties

Development of property within Improvement Area No. 1 of the District may be subject to unexpected delays, disruptions and changes which may affect the willingness and ability of the Developer or the merchant builders or any property owner 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 satisfy such governmental requirements would adversely affect planned land development. Development of land in Improvement Area No. 1 of the District is also subject to the availability of water. Finally, development of land is subject to economic considerations.

The Developer reports that much of the area included in Improvement Area No. 1 of the District has been graded and major infrastructure (sewer, water, storm drains, utilities, and arterial roads) to be installed by the Developer within Improvement Area No. 1 of the District is expected to be fully completed by the first quarter of 2019.

Several lots within Improvement Area No. 1 are in finished or partially finished condition. No assurance can be given that the remaining proposed development will be partially or fully completed; and for purposes of evaluating the investment quality of the Bonds, prospective purchasers should consider the possibility that such parcels will remain unimproved.

Undeveloped or partially developed land is inherently less valuable than developed land and provides less security to the Bondowners should it be necessary for the District to foreclose on the property due to the nonpayment of Special Taxes. The failure to complete development of the required infrastructure for development in Improvement Area No. 1 of the District as planned, or substantial delays in the completion of the development or the required infrastructure for the development due to litigation or other causes may reduce the value of the property within Improvement Area No. 1 of the District and increase the length of time during which Special Taxes will be payable from undeveloped property, and may affect the willingness and ability of the owners of property within Improvement Area No. 1 of the District to pay the Special Taxes when due.

There can be no assurance that land development operations within Improvement Area No. 1 of the District will not be adversely affected by future deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, an increase in

mortgage interest rates, the income tax treatment of real property ownership, or the national economy. A slowdown of the development process and the absorption rate could adversely affect land values and reduce the ability or desire of the property owners to pay the annual Special Taxes. In that event, there could be a default in the payment of principal of, and interest on, the Bonds when due.

Bondowners should assume that any event that significantly impacts the ability to develop land in Improvement Area No. 1 of the District would cause the property values within Improvement Area No. 1 of the District to decrease substantially from those estimated by the Appraiser and could affect the willingness and ability of the owners of land within Improvement Area No. 1 of the District to pay the Special Taxes when due.

The District did not levy Special Taxes on Undeveloped Property in Fiscal Year 2018-19 but it is able to do so in any future Fiscal Year in which the Special Taxes levied on Developed Property are not sufficient to fund the Special Tax Requirement. Undeveloped Property is less valuable per unit of area than Developed Property, especially if there are no plans to develop such land or if there are severe restrictions on the development of such land. The Undeveloped Property also provides less security to the Bondowners should it be necessary for the District to foreclose on Undeveloped Property due to the nonpayment of the Special Taxes. Furthermore, an inability to develop the land within Improvement Area No. 1 of the District as currently proposed will make the Bondowners dependent upon timely payment of the Special Taxes levied on Undeveloped Property. A slowdown or stoppage in the continued development of the land within Improvement Area No. 1 of the District could reduce the willingness and ability of the merchant builders to make Special Tax payments on Undeveloped Property and could greatly reduce the value of such property in the event it has to be foreclosed upon. See “—Land Values.”

Natural Disasters

The District, like all California communities, may be subject to unpredictable seismic activity, fires, floods, or other natural disasters. Southern California is a seismically active area. Seismic activity represents a potential risk for damage to buildings, roads, and property within Improvement Area No. 1 of the District. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event. According to the Water District, the property within Improvement Area No. 1 is not located in an Alquist Priolo Earthquake Study Zone. The District is not located in a flood plain area.

In recent years, wildfires have caused extensive damage throughout the State. In some instances, entire neighborhoods have been destroyed. Several of the fires that occurred in recent years damaged or destroyed property in areas that were not previously considered to be at risk from such events.

Western Orange County and eastern Riverside County, in which Improvement Area No. 1 is located, have previously experienced large scale wildfires that resulted in the destruction of homes and businesses. In August 2018, the Holy Jim Canyon fire burned over 25,000 acres in an area located approximately 5 miles from Improvement Area No. 1. Some commentators believe that climate change will lead to even more frequent and more damaging wildfires in the future. Property damage due to wildfire could result in a significant decrease in the market value of property in Improvement Area No. 1 and in the ability or willingness of property owners to pay Special Taxes.

In the event of a severe earthquake, fire, flood or other natural disaster, there may be significant damage to both property and infrastructure in Improvement Area No. 1 of 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 Improvement Area No. 1 of the District could be diminished in the aftermath of such a natural disaster, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes.

Hazardous Substances

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the taxed parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming the owner, will become obligated to remedy the condition just as is the seller.

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

The value of the taxable property within Improvement Area No. 1 of the District, as set forth in the various tables in this Official Statement, does not reflect the presence of any hazardous substance or the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the property. The Developer has represented to the District that it is not aware of any hazardous substance condition of the property within Improvement Area No. 1 of the District. The District has not independently verified, but is not aware, that any owner (or operator) of any of the parcels within Improvement Area No. 1 of the District has such a current liability with respect to any such parcel. However, it is possible that such liabilities do currently exist and that the District is not aware of them.

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

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

Land Values

The value of the property within Improvement Area No. 1 of the District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Special Taxes, the District’s only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Taxes. See “THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1—Appraised Value-to-Lien Ratios.”

The Appraiser has estimated, on the basis of certain definitions, assumptions and limiting conditions contained in the Appraisal Report that as of August 22, 2018, the market value of the Taxable Parcels within Improvement Area No. 1 of the District was not less than \$143,910,489. The Appraisal Report is based on a

number of assumptions and limiting conditions as stated in APPENDIX B—“APPRAISAL REPORT.” The Appraisal Report does not reflect any possible negative impact which could occur by reason of future slow or no growth voter initiatives, an economic downturn, any potential limitations on development occurring due to time delays, an inability of any landowner to obtain any needed development approval or permit, the presence of hazardous substances or other adverse soil conditions within Improvement Area No. 1 of the District, the listing of endangered species or the determination that habitat for endangered or threatened species exists within Improvement Area No. 1, or other similar situations.

Prospective purchasers of the Bonds should not assume that the land and improvements within Improvement Area No. 1 of the District could be sold for the amount stated in the Appraisal Report at a foreclosure sale for delinquent Special Taxes. In arriving at the estimate of market value, the Appraiser assumes that any sale will be sold in a competitive market after a reasonable exposure time, and assuming that neither the buyer or seller is under duress, which is not always present in a foreclosure sale. See APPENDIX B—“APPRAISAL REPORT” for a description of other assumptions made by the Appraiser and for the definitions and limiting conditions used by the Appraiser. Any event which causes one of the Appraiser’s assumptions to be untrue could result in a reduction of the value of the land within Improvement Area No. 1 of the District from that estimated by the Appraiser.

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

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

Parity Taxes and Special Assessments

Property within Improvement Area No. 1 of the District is subject to taxes and assessments imposed by other public agencies also having jurisdiction over the land within Improvement Area No. 1 of the District. See “THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1—Direct and Overlapping Indebtedness.”

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

Neither the District nor the Water District has control over the ability of other entities and districts to issue indebtedness secured by special taxes, *ad valorem* taxes or assessments payable from all or a portion of the property within Improvement Area No. 1. In addition, the landowners within Improvement Area No. 1 of the District may, without the consent or knowledge of the District, petition other public agencies to issue public indebtedness secured by special taxes and *ad valorem* taxes or assessments. Any such special taxes or assessments may have a lien on such property on a parity with the Special Taxes and could reduce the estimated value-to-lien ratios for the property within Improvement Area No. 1 described herein. See “SOURCES OF PAYMENT FOR THE BONDS” and “THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1—Direct and Overlapping Indebtedness” and “—Appraised Value to Lien Ratios.”

Disclosures to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax even if the value is sufficient may be affected by whether or not the owner was given due notice of the Special Tax authorization at the time the owner purchased the parcel, was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate and the risk of such a levy and, at the time of such a levy, has the ability to pay it as well as pay other expenses and obligations. The Water District has caused a notice of the Special Tax 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 Improvement Area No. 1 of the District or lending of money thereon.

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

Special Tax Delinquencies

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, will be billed to the properties within Improvement Area No. 1 of the District on the regular *ad valorem* property tax bills sent to owners of such properties by the County of Riverside Tax Collector. The Act currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do *ad valorem* property tax installments.

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

FDIC/Federal Government Interests in Properties

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

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

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within Improvement Area No. 1 of the District but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

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

The District has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within Improvement Area No. 1 of the District, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

FDIC. In the event that any financial institution making any loan which is secured by real property within Improvement Area No. 1 of the District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the District to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

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

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within Improvement Area No. 1 of the District in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Reserve Account and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the Bonds.

Bankruptcy and Foreclosure

Bankruptcy, insolvency and other laws generally affecting creditors' rights could adversely impact the interests of owners of the Bonds in at least two ways. First, the payment of property owners' taxes and the ability

of the District to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—*Proceeds of Foreclosure Sales.*" In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

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

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

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

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

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

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

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

No Acceleration Provision

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

Loss of Tax Exemption

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

Limited Secondary Market

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

Proposition 218

An initiative measure commonly referred to as the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIIC and Article XIID to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” The provisions of the Initiative as they may relate to community facilities district are subject to interpretation by the courts. The Initiative could potentially impact the Special Taxes available to the District to pay the principal of and interest on the Bonds as described below.

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

“Section 3 of Article XIIC of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in

any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.”

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

It may be possible, however, for voters or the Board of Directors of the Water District, acting as the legislative body of the District, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Nevertheless, to the maximum extent that the law permits it to do so, the District will covenant that it will not initiate proceedings under the Act to reduce the maximum Special Tax rates on parcels within Improvement Area No. 1 of the District. In connection with the foregoing covenant, the Board of Directors of the Water District has made a legislative finding and determination that any elimination or reduction of Special Taxes below the foregoing level would interfere with the timely retirement of the Bonds. The District will also covenant that, in the event an initiative is adopted which purports to alter the Rate and Method, it will commence and pursue legal action in order to preserve its ability to comply with the foregoing covenant. However, no assurance can be given as to the enforceability of the foregoing covenants.

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

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

The facts of the San Diego Decision show that there were thousands of registered voters within the CCFD (*viz.*, all of the registered voters in San Diego). The elections held in Improvement Area No. 1 of the District had less than 12 registered voters at the time of the election to authorize the Special Tax. In the San Diego Decision, the Court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the Court’s holding does not apply to the Special Tax election in Improvement Area No. 1 of the District. Moreover, Section 53341 of the Act provides that any “action or proceeding to attack, review, set aside, void or annul the levy of a special tax...shall be commenced within 30 days after the special tax is approved by the voters.” Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds.

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

No Ratings – Limited Secondary Market

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

Ballot Initiatives

Articles XIII A, XIII B, XIII C and XIII D were adopted pursuant to measures qualified for the ballot pursuant to California’s constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. On March 6, 1995, in the case of *Rossi v. Brown*, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the Water District, or local districts to increase revenues or to increase appropriations or on the ability of the Developer to complete the remaining proposed development within Improvement Area No. 1 of the District.

Limitations on Remedies

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

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

CONTINUING DISCLOSURE

District Continuing Disclosure

Pursuant to a Continuing Disclosure Certificate (the “District Continuing Disclosure Certificate”), the District will agree to provide, or cause to be provided, to the MSRB through its EMMA website, or other repository authorized under the Rule, certain annual financial information and operating data concerning the District. The District Reports are to be filed not later than February 1 of each year, beginning February 1, 2019. The District Reports will include the audited financial statements of the District, if any are prepared. The District does not currently prepare audited financial statements and does not anticipate doing so in the future. The full text of the District Continuing Disclosure Certificate is set forth in APPENDIX F—“FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE DISTRICT.”

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

The District has not entered into any prior continuing disclosure undertakings. During the last five years, the Water District has not failed to comply with its continuing disclosure undertakings. However, the Lee Lake Public Financing Authority, an entity affiliated with the Water District, failed on one occasion to comply

with continuing disclosure undertakings as follows: in connection with the Lee Lake Public Financing Authority, Senior Lien Revenue Bonds, 2013 Series A (Special Tax Bond Refunding), and, Lee Lake Public Financing Authority, Junior Lien Revenue Bonds, 2013 Series B (Special Tax Bond Refunding), the Authority filed the District audited financial statements for Fiscal Year 2012-13 approximately 27 days late.

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

Developer Continuing Disclosure

To provide updated information with respect to its development within Improvement Area No. 1, the Developer will enter into the Developer Continuing Disclosure Certificate and will covenant to provide a Semiannual Report not later than December 15 and June 15 of each year beginning June 15, 2019, until satisfaction of certain conditions set forth in the Developer Continuing Disclosure Certificate. Each Semiannual Report will contain updates regarding the development within Improvement Area No. 1 as outlined in Section 4 of the Developer Continuing Disclosure Certificate attached as Appendix G. In addition to its Semiannual Reports, the Developer will agree to provide notices of certain events set forth in the Developer Continuing Disclosure Certificate.

The Developer's obligations under the Developer Continuing Disclosure Certificate will terminate upon the earliest to occur of: (a) the legal defeasance, prior redemption or payment in full of all the Bonds; or (b) at such time as the Developer and its Affiliates are no longer responsible for payment of 20% or more of the special taxes in Improvement Area No. 1.

The Developer has not previously entered into a continuing disclosure undertaking.

KB Home Continuing Disclosure

To provide updated information with respect to its development within Improvement Area No. 1, KB Home will enter into the KB Home Continuing Disclosure Agreement and will covenant to provide a Semiannual Report not later than December 15 and June 15 of each year beginning June 15, 2019, until satisfaction of certain conditions set forth in the KB Home Continuing Disclosure Agreement. Each Semiannual Report will contain updates regarding the development within Improvement Area No. 1 as outlined in Section 4 of the Form of [KB Home/PULTE] Continuing Disclosure Agreement attached as Appendix H. In addition to its Semiannual Reports, KB Home will agree to provide notices of certain events set forth in the KB Home Continuing Disclosure Agreement.

KB Home's obligations under the KB Home Continuing Disclosure Agreement will terminate upon the earliest to occur of: (a) the legal defeasance, prior redemption or payment in full of all the Bonds; or (b) at such time as KB Home and its Affiliates are no longer responsible for payment of 20% or more of the special taxes in Improvement Area No. 1.

KB Home has complied with all of its continuing disclosure undertaking except as follows: in connection with a continuing disclosure undertaking entered with respect to the \$16,135,000 City of Ontario CFD 24 (Park Place Facilities Phase I) Special Tax Bonds, Series 2016, KB Home was late in filing its semiannual report due on April 30, 2017.

Pulte Continuing Disclosure

To provide updated information with respect to its development within Improvement Area No. 1, Pulte will enter into the Pulte Continuing Disclosure Agreement and will covenant to provide a Semiannual Report not later than December 15 and June 15 of each year beginning June 15, 2019, until satisfaction of certain conditions set forth in the Pulte Continuing Disclosure Agreement. Each Semiannual Report will contain updates regarding the development within Improvement Area No. 1 as outlined in Section 4 of the Form of [KB Home/PULTE] Continuing Disclosure Agreement attached as Appendix H. In addition to its Semiannual Reports, Pulte will agree to provide notices of certain events set forth in the Pulte Continuing Disclosure Agreement.

Pulte's obligations under the Pulte Continuing Disclosure Agreement will terminate upon the earliest to occur of: (a) the legal defeasance, prior redemption or payment in full of all the Bonds; or (b) at such time after January 1, 2020 as Pulte and its Affiliates are no longer responsible for payment of 20% or more of the special taxes in Improvement Area No. 1.

Pulte has represented to the District that, based on a review of prior continuing disclosure undertakings, Pulte has not failed to comply in any material respect with any previous undertakings to provide annual reports, semiannual reports or notices of listed events in the last five years.

TAX MATTERS

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

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

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District, the Water District and others and is subject to the condition that the District, the Water District and others making such representations comply with all requirements of 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 Water District will covenant to comply with all such requirements.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of

tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

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

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

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

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

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

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

LEGAL MATTERS

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

LITIGATION

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

NO RATING

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

UNDERWRITING

The Bonds are being purchased by the Underwriter. The Underwriter has agreed to purchase the Bonds at a price of \$ _____, being \$ _____ aggregate principal amount thereof, [plus] net original issue [premium] of \$ _____ and less Underwriter's discount of \$ _____). 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 the purchase contract, the approval of certain legal matters by counsel and certain other conditions.

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

FINANCIAL INTERESTS

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

PENDING LEGISLATION

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

ADDITIONAL INFORMATION

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

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

COMMUNITY FACILITIES DISTRICT NO. 4
(TERRAMOR) OF TEMESCAL VALLEY WATER
DISTRICT

By: _____
General Manager

APPENDIX A

*The Assigned Special Tax Rates for Land Use Classes 1 and 2 in Zone B
and the Backup Special Tax for Zone B reflect the reduced rates
that will be in effect upon the issuance of the Bonds pursuant to Section J below*

**RATE AND METHOD OF APPORTIONMENT
COMMUNITY FACILITIES DISTRICT NO. 4 (TERRAMOR)
OF TEMESCAL VALLEY WATER DISTRICT**

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in Improvement Area No. 1 ("IA No. 1") of Temescal Valley Water District Community Facilities District No. 4 (Terramor) ("CFD No. 4") and collected each Fiscal Year commencing in Fiscal Year 2017-2018, in an amount determined by the Board, through the application of the Rate and Method of Apportionment as described below. All of the real property in IA No. 1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre" or "Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map, parcel map, condominium plan, or other recorded County parcel map.

"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 IA No. 1: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the Water District or designee thereof or both); the costs of collecting the Special Taxes (whether by the Water District 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 Water District, CFD No. 4 or any designee thereof of complying with arbitrage rebate requirements; the costs to the Water District, CFD No. 4 or any designee thereof of complying with Water District, IA No. 1 or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the Water District, CFD No. 4 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; the costs associated with the Special Tax reduction described in Section J; the costs associated with the issuance of Bonds; and the Water District's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the Water District or CFD No. 4 for any other administrative purposes of IA No. 1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure, or otherwise addressing the disposition of delinquent Special Taxes.

"Approved Property" means, for each Fiscal Year, all Taxable Property, exclusive of Developed Property, Taxable Property Owner Association Property, and Taxable Public Property, for which a Final Map was recorded prior to January 1 of the previous Fiscal Year.

"Assessor's Parcel" means any real property to which an Assessor's parcel number is assigned as shown on an Assessor's Parcel Map.

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

"Assigned Special Tax" means the Special Tax for each Land Use Class of Developed Property within IA No. 1, as determined in accordance with Section C below.

"Backup Special Tax" means the Special Tax applicable to each Assessor's Parcel of Developed Property within IA No. 1, as determined in accordance with Section C below.

"Board" means the Board of Directors of the Water District, acting as the legislative body of CFD No. 4.

"Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 4 for IA No. 1 under the Act.

"CFD Administrator" means an official of the Water District, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

"CFD No. 4" means the Temescal Valley Water District Community Facilities District No. 4 (Terramor).

"County" means the County of Riverside.

"Developed Property" means, for each Fiscal Year, all Taxable Property, exclusive of Other Taxable Property, (i) for which a building permit was issued prior to March 1 of the prior Fiscal Year, and (ii) that is located within a Final Map.

"Final Map" means (i) a final map, or portion thereof, approved by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) that creates individual lots or parcels for which building permits may be issued without further subdivision, or (ii) for condominiums, a final map approved by the County and a condominium plan recorded pursuant to California Civil Code Section 1352 creating such individual lots or parcels.

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

"Improvement Area No. 1" or "IA No. 1" means Improvement Area No. 1 of CFD No. 4.

"Indenture" means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time.

"Land Use Class" means any of the classes listed in Tables 1 and 2 below.

"Maximum Special Tax" means the Maximum Special Tax, determined in accordance with Section C and Section D below, that can be levied in any Fiscal Year on any Assessor's Parcel within IA No. 1.

"Non-Residential Property" means Developed Property for which a building permit(s) was issued for a non-residential use.

"Outstanding Bonds" means all Bonds which are deemed to be outstanding under the Indenture.

"Other Taxable Property" means Taxable Public Property and Taxable Property Owner Association Property.

"Proportionately" means, for Developed Property, that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Assessor's Parcels of Developed Property, except to the extent that the Special Tax levy on Residential Property is limited as described in the first step in Section D below. For Approved Property or Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Approved Property or Undeveloped Property. For Other Taxable Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Other Taxable Property.

"Property Owner Association Property" means, for each Fiscal Year, any property within the boundaries of IA No. 1 that was owned by a property owner association, including any master or sub-association, as of January 1 of the prior Fiscal Year.

"Public Property" means, for each Fiscal Year, any property within IA No. 1 that is owned by, irrevocably offered for dedication to, or dedicated to the federal government, the State, the County, Water District, or any other public agency as of June 30 of the prior Fiscal Year; provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use. To ensure that property is classified as Public Property in the first Fiscal Year after it is acquired by, irrevocably offered for dedication to, or dedicated to a public agency, the property owner shall notify the CFD Administrator in writing of such acquisition, offer, or dedication not later than June 30 of the Fiscal Year in which the acquisition, offer, or dedication occurred.

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

"Residential Property" means Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

"Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property to fund the Special Tax Requirement.

"Special Tax Requirement" means that amount required in any Fiscal Year to: (i) pay debt service on all Outstanding Bonds; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay directly for the acquisition or construction of facilities authorized to be financed by IA No. 1 to the extent that inclusion of such amount does not increase the Special Tax levy on Approved Property or Undeveloped Property; and (vi) pay for reasonably anticipated Special Tax delinquencies based on the historical delinquency rate for IA No. 1 as determined by the CFD Administrator; less (vii) a credit for funds available to reduce the annual Special Tax levy, as determined by the CFD Administrator pursuant to the Indenture.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of IA No. 1 which are not exempt from the Special Tax pursuant to law or Section E below.

"Taxable Property Owner Association Property" means all Assessor's Parcels of Property Owner Association Property that are not exempt pursuant to Section E below.

"Taxable Public Property" means all Assessor's Parcels of Public Property that are not exempt pursuant to Section E below.

"Trustee" means the trustee or fiscal agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Approved Property, Developed Property, or Other Taxable Property.

"Water District" means the Temescal Valley Water District.

"Zone" means Zone A and/or Zone B, as applicable.

"Zone A" means Zone A of IA No. 1, as identified on the map included as Exhibit A.

"Zone B" means Zone B of IA No. 1, as identified on the map included as Exhibit A.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within Zone A and Zone B of IA No. 1 shall be classified as Developed Property, Approved Property, Other Taxable Property, or Undeveloped Property, and shall be subject to Special Taxes in accordance with this Rate and Method of Apportionment as determined pursuant to Sections C and D below. Developed Property shall be further classified as Residential Property or Non-Residential Property.

C. MAXIMUM SPECIAL TAX

1. Developed Property

Residential Property in Zone A shall be assigned to Land Use Classes 1 through 5 of Table 1 below, and Non-Residential Property in Zone A shall be assigned to Land Use Class 6 of Table 1 below. Residential Property in Zone B shall be assigned to Land Use Class 1 through 5 of Table 2 below, and Non-Residential Property in Zone B shall be assigned to Land Use Class 6 of Table 2 below. The Assigned Special Tax for Residential Property shall be based on the Residential Floor Area of the dwelling unit(s) located on the Assessor's Parcel. The Assigned Special Tax for Non-Residential Property shall be based on the Acreage of the Assessor's Parcel.

(a) Maximum Special Tax

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

The Maximum Special Tax (including the Assigned Special Taxes and the Backup Special Tax set forth in Sections C.1.(b), C.1.(c) and C.1.(d) below) may be reduced in accordance with, and subject to the conditions set forth in, Section J below.

(b) Assigned Special Tax – Zone A (Market Rate Units)

The Assigned Special Tax for each Land Use Class within Zone A is shown below in Table 1.

TABLE 1
Assigned Special Tax for Developed Property in
Zone A
(Market Rate Units)

Land Use Class	Description	Residential Floor Area	Assigned Special Tax
1	Residential Property	> 2,300 s.f.	\$3,183 per unit
2	Residential Property	2,151 – 2,300 s.f.	\$3,094 per unit
3	Residential Property	2,001 – 2,150 s.f.	\$2,977 per unit
4	Residential Property	1,851 – 2,000 s.f.	\$2,888 per unit
5	Residential Property	< 1,850 s.f.	\$2,799 per unit
6	Non-Residential Property	NA	\$29,636 per Acre

(c) Assigned Special Tax – Zone B (Age-Qualified Units)

The Assigned Special Tax for each Land Use Class within Zone B is shown below in Table 2.

TABLE 2
Assigned Special Tax for Developed Property in
Zone B
(Age-Qualified Units)

Land Use Class	Description	Residential Floor Area	Assigned Special Tax
1	Residential Property	> 2,599 s.f.	\$2,921 per unit ⁽¹⁾
2	Residential Property	2,300 – 2,599 s.f.	\$2,703 per unit ⁽²⁾
3	Residential Property	1,900 – 2,299 s.f.	\$2,502 per unit
4	Residential Property	1,601 – 1,899 s.f.	\$2,115 per unit
5	Residential Property	< 1,601 s.f.	\$1,986 per unit
6	Non-Residential Property	NA	\$16,532 per Acre

⁽¹⁾ Pursuant to Section J, such amount was reduced from \$3,274.

⁽²⁾ Pursuant to Section J, such amount was reduced from \$2,888.

(d) Backup Special Tax

The Backup Special Tax for an Assessor's Parcel of Developed Property will equal the amount indicated in Table 3 below for the applicable Zone.

TABLE 3
Backup Special Tax for
Zone A and Zone B

Zone	Backup Special Tax
A	\$29,636 per Acre
B	\$16,145 per Acre ⁽¹⁾

⁽¹⁾ Pursuant to Section J, such amount was reduced from \$16,532.

2. Approved Property, Undeveloped Property and Other Taxable Property

The Maximum Special Tax for Approved Property, Undeveloped Property, and Other Taxable Property will equal the amount indicated in Table 4 below for the applicable Zone.

TABLE 4
Approved Property, Undeveloped Property,
and Other Taxable Property in
Zone A and Zone B

Zone	Maximum Special Tax
A	\$29,636 per Acre
B	\$16,532 per Acre

3. Multiple Land Uses

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Assigned Special Tax levied on an Assessor's Parcel shall be the sum of the Assigned Special Taxes for all Land Use Classes located on that Assessor's Parcel. The Maximum Special Tax that can be levied on an Assessor's Parcel shall be the sum of the Maximum Special Taxes that can be levied for all Land Use Classes located on that Assessor's Parcel. For an Assessor's Parcel that contains multiple land uses, the Acreage of such Assessor's Parcel shall be allocated to each type of property based on the amount of Acreage designated for each land use as determined by reference to the site plan approved for such Assessor's Parcel.

The CFD Administrator's allocation to each type of property shall be final.

D. APPORTIONMENT OF THE SPECIAL TAX

For each Fiscal Year, commencing Fiscal Year 2017-2018, the Board shall determine the Special Tax Requirement and shall levy the Special Tax 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 Assigned Special Tax as needed to satisfy the Special Tax Requirement;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the Maximum Special Tax for Approved Property;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased in equal percentages from the Assigned Special Tax up to 100% of the Maximum Special Tax for each such Assessor's Parcel.

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Other Taxable Property at up to 100% of the Maximum Special Tax for Other Taxable Property.

Notwithstanding the above, pursuant to Section 53321(d)(3) of the California Government Code, under no circumstances will the Special Tax levied in any Fiscal Year against any Assessor's Parcel for which an occupancy permit for private residential use has been issued be increased as a consequence of delinquency or default by the owner or owners of any other Assessor's Parcel(s) within CFD No. 4 by more than 10% above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults. To the extent that the levy of the Special Tax on residential property is limited by the provision in the previous sentence, the levy of the Special Tax on each Assessor's Parcel of non-residential property shall continue to increase in equal percentages at up to 100% of the Maximum Special Tax.

E. EXEMPTIONS

No Special Taxes shall be levied on Property Owner Association Property and Public Property, so long as the Acreage of Taxable Property is at least 18.15 Acres within Zone A and 69.37 Acres within Zone B. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Property Owner Association Property or Public Property. However, should an Assessor's Parcel no longer be classified as Property Owner Association Property or Public Property, its tax-exempt status will be revoked.

To the extent that the exemption of an Assessor's Parcel of Property Owner Association Property or Public Property would reduce the Acreage of Taxable Property below 18.15 Acres in Zone A or 69.37 Acres in Zone B, such Assessor's Parcel shall be classified as Taxable Property Owner Association Property or Taxable Public Property, as applicable, and shall be subject to the levy of the Special Tax and shall be taxed as part of the sixth step in Section D above, at up to 100% of the applicable Maximum Special Tax for Other Taxable Property.

F. APPEALS AND INTERPRETATIONS

Any taxpayer may file a written appeal of the Special Tax on his/her property with the CFD Administrator, provided that the appellant is current in his/her payments of Special Taxes. During the pendency of an appeal, all Special Taxes previously levied must be paid on or before the payment date established when the levy was made. The appeal must specify the reasons why the appellant claims the Special Tax is in error. The CFD Administrator shall review the appeal, meet with the appellant if the CFD Administrator deems necessary, and advise the appellant of its determination. If the CFD

Administrator agrees with the appellant, the CFD Administrator shall eliminate or reduce the Special Tax on the appellant's property and/or provide a refund to the appellant. If the CFD Administrator disagrees with the appellant and the appellant is dissatisfied with the determination, the appellant then has 30 days in which to appeal to the Board by filing a written notice of appeal with the clerk of the Board, provided that the appellant is current in his/her payments of Special Taxes. The second appeal must specify the reasons for its disagreement with the CFD Administrator's determination.

The CFD Administrator 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 property owner appeals. Any decision of the CFD Administrator shall be subject to appeal to the Board whose decision shall be final and binding as to all persons.

G. MANNER OF COLLECTION

The Special Tax will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 4 may directly bill the Special Tax, may collect the Special Tax 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.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section H:

"CFD Public Facilities" means either \$21.9 million in 2016 dollars, which shall increase by the Construction Inflation Index on July 1, 2017, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to provide the public facilities to be provided by CFD No. 4 on behalf of IA No. 1 under the authorized bonding program for IA No. 1, or (ii) shall be determined by the Board concurrently with a covenant that it will not issue any more Bonds to be supported by Special Tax levied under this Rate and Method of Apportionment as described in Section D.

"Construction Fund" means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Act.

"Construction Inflation Index" means the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the 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 minus (i) public facility costs previously paid from the Construction Fund, (ii) moneys currently on deposit in the Construction Fund, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance facilities costs.

"Outstanding Bonds" means all Previously Issued Bonds which are deemed to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year.

"Previously Issued Bonds" means all Bonds that have been issued by CFD No. 4 for IA No. 1 prior to the date of prepayment.

1. Prepayment in Full

The obligation of an Assessor's Parcel to pay the Special Tax may be prepaid and permanently satisfied as described herein; provided that a prepayment may be made only for Assessor's Parcels of Developed Property and Approved Property and/or Undeveloped Property for which a building permit has been issued, and 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 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 service. Prepayment must be made not less than 45 days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture.

The Special Tax Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

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

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

Paragraph No.:

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
2. For Assessor's Parcels of Developed Property, compute the Assigned Special Tax and Backup Special Tax applicable for the Assessor's Parcel to be prepaid. For Assessor's Parcels of Approved Property and/or Undeveloped Property (for which a building permit has been issued) to be prepaid, compute the Assigned Special Tax and Backup Special Tax for that Assessor's Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for that Assessor's Parcel.
3. (a) Divide the Assigned Special Tax computed pursuant to paragraph 2 by the total estimated Assigned Special Tax for the entire IA No. 1 based on the Developed Property Special Tax which could be charged in the current Fiscal Year on all expected development at buildout of IA No. 1, excluding any Assessor's Parcels which have been prepaid, and

(b) Divide the Backup Special Tax computed pursuant to paragraph 2 by the estimated total Backup Special Tax at buildout of IA No. 1, excluding any Assessor's Parcels which have been prepaid.
4. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").

5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
6. Compute the current Future Facilities Costs.
7. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").
8. 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.
9. Determine the Special Tax levied on the Assessor's Parcel in the current Fiscal Year which has not yet been paid.
10. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Special Tax Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
11. Add the amounts computed pursuant to paragraphs 8 and 9 and subtract the amount computed pursuant to paragraph 10 (the "Defeasance Amount").
12. Verify the administrative fees and expenses of CFD No. 4 related to the IA No. 1 prepayment, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").
13. The reserve fund credit ("Reserve Fund Credit") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
14. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 11 and 12, less the amount computed pursuant to paragraph 13 (the "Prepayment Amount").
15. From the Prepayment Amount, the amounts computed pursuant to paragraphs 4, 5, 11, and 13 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 4.

The Special Tax Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to 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 Board shall cause

a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Tax 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 prepayment will be allowed unless the amount of Assigned Special Tax that may be levied on Taxable Property (based on expected development at build out), both prior to and after the proposed prepayment, less expected Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all Outstanding Bonds (excluding Bonds to be redeemed by such prepayment and all prior prepayments) in each future Fiscal Year and such prepayment will not impair the security of all Outstanding Bonds, as reasonably determined by the CFD Administrator.

2. Prepayment in Part

The Special Tax on an Assessor's Parcel of Developed Property or an Assessor's Parcel of Approved Property and/or Undeveloped Property for which a building permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as in Section H.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = [(P_E - AE) \times F] + AE$$

These terms have the following meaning:

AE	=	the Administrative Fees and Expenses
PP	=	the partial prepayment
P _E	=	the Prepayment Amount calculated according to Section H.1
F	=	the percentage by which the owner of the Assessor's Parcel is partially prepaying the Special Tax.

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of such owner's intent to partially prepay the Special Tax and the percentage by which the Special Tax shall be prepaid. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for an Assessor's Parcel within thirty (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 Water District shall (i) distribute the funds remitted to it according to Section H.1, and (ii) indicate in the records of CFD No. 4 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section D.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Assigned Special Tax that may be levied on Taxable Property (based on expected development at build out), both prior to and after the proposed prepayment, less expected Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all Outstanding Bonds (excluding Bonds to be redeemed by such prepayment and all prior prepayments) in each future Fiscal Year and such partial prepayment will not impair the security of all Outstanding Bonds, as reasonably determined by the CFD Administrator.

I. TERM OF SPECIAL TAX

The Special Tax shall be levied for the period necessary to fully satisfy items (i) through (iv) of the Special Tax Requirement, but in no event shall it be levied after Fiscal Year 2055-56.

J. SPECIAL TAX REDUCTION

"Independent Price Point Consultant" means any consultant or firm of such consultants selected by CFD No. 4 that (a) has substantial experience in performing Price Point Studies for residential units within community facilities districts or otherwise estimating or confirming pricing for residential units in community facilities districts, (b) is well versed in analyzing economic and real estate data that relates to the pricing of residential units in community facilities districts, (c) is in fact independent and not under the control of CFD No. 4 or the Water District, (d) does not have any substantial interest, direct or indirect, with or in (i) CFD No. 4, (ii) the Water District, (iii) any owner of real property in CFD No. 4, or (iv) any real property in CFD No. 4, and (e) is not connected with CFD No. 4 or the Water District as an officer or employee thereof, but who may be regularly retained to make reports to CFD No. 4 or the Water District.

"Plan Type" means, for each Zone, a discrete residential plan type that is constructed or expected to be constructed within IA No. 1 as identified in the Price Point Study.

"Price Point" means, with respect to the residential dwelling units in each Plan Type, as of any date, the minimum base price of such residential dwelling units, estimated as of such date, including any incentives and concessions, but excluding potential appreciation or premiums, options or upgrades, based upon their actual or expected characteristics, such as living area and lot size.

"Price Point Study" means a price point study or a letter updating a previous price point study, which (a) has been prepared by an Independent Price Point Consultant, (b) sets forth the Plan Types constructed or expected to be constructed within IA No. 1, (c) sets forth the estimated number of constructed and expected residential dwelling units for each Plan Type, (d) sets forth such Independent Price Point Consultant's estimate of the Price Point for each Plan Type and (e) uses a date for establishing such Price Points that is no earlier than 60 days prior to the date the Price Point Study is delivered to the CFD Administrator pursuant to this Section J.

"Total Effective Tax Rate" means, for a Plan Type, the quotient of (a) the Total Tax and Assessment Obligation for such Plan Type divided by (b) the Price Point for such Plan Type, converted to a percentage.

"Total Tax and Assessment Obligation" means, with respect to a Plan Type, for the Fiscal Year in which the calculation is being performed, the quotient of (a) the sum of the Assigned Special Tax and estimated *ad valorem* property taxes, special assessments, special taxes for any overlapping community facilities districts, and any other governmental taxes, fees and charges levied or imposed on all residential dwelling units of such Plan Type in such Fiscal Year or that would have been levied or imposed on all such residential dwelling units had such residential dwelling units been completed, sold and subject to such levies and impositions in such Fiscal Year divided by (b) the number of residential dwelling units in such Plan Type. The Total Tax and Assessment Obligation for each Plan Type shall be calculated based on the applicable Residential Floor Area, Price Point, and number of constructed and expected residential dwelling units for such Plan Type as identified in the Price Point Study.

Prior to the issuance of the first series of Bonds, the following steps shall be taken:

Step No.:

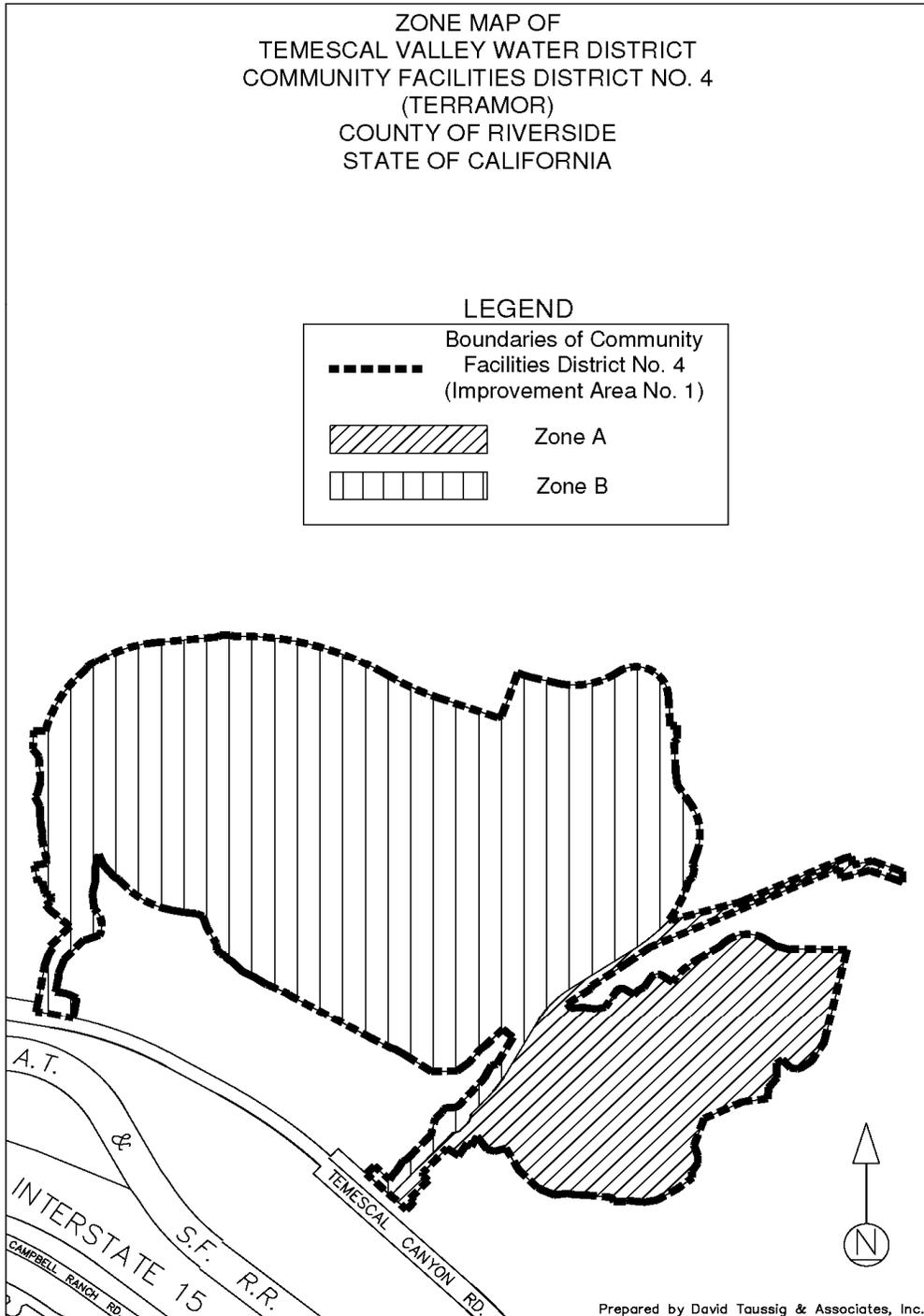
1. At least 30 days prior to the expected issuance date of the first series of Bonds, CFD No. 4 shall cause a Price Point Study to be delivered to the CFD Administrator.
2. As soon as practicable after receipt of the Price Point Study, the CFD Administrator shall calculate the Total Effective Tax Rate for each Plan Type.

3. Separately, for each Land Use Class, the CFD Administrator shall determine whether or not the Total Effective Tax Rate for all Plan Types in a Land Use Class is less than or equal to 2.00% for property in Zone A and 1.75% for property in Zone B.
 - a. If the Total Effective Tax Rate for all Plan Types in a Land Use Class is less than or equal to 2.00% for property in Zone A and 1.75% for property in Zone B, then there shall be no change in the Assigned Special Tax for such Land Use Class.
 - b. If the Total Effective Tax Rate for any Plan Type in a Land Use Class is greater than 2.00% for property in Zone A or 1.75% for property in Zone B, then the CFD Administrator shall calculate a revised Assigned Special Tax for such Land Use Class, which revised Assigned Special Tax shall be the highest amount (rounded to the nearest whole dollar) that will not cause the Total Effective Tax Rate for any Plan Type in such Land Use Class to exceed 2.00% for property in Zone A and 1.75% for property in Zone B.
4. If the Assigned Special Tax for any Land Use Class in a Zone is revised pursuant to step 3.b. above, the CFD Administrator shall calculate a revised Backup Special Tax for all property within such Zone. The revised Backup Special Tax for such Zone shall be an amount (rounded to the nearest whole dollar) equal to the Backup Special Tax for such Zone as set forth in Section C.1.(d), reduced by a percentage equal to the weighted average percentage reduction in the Assigned Special Taxes for all Land Use Classes of Residential Property in such Zone resulting from the calculations in steps 3.a. and 3.b. above. The weighted average percentage will be calculated by taking the sum of the products of the number of units constructed or expected to be constructed in each Land Use Class multiplied by the percentage change for each Land Use Class (or 0 for Land Use Classes that are not changing). This amount is then divided by the total number of units constructed or expected to be constructed within the Zone and converted to a percentage.
5. If the Assigned Special Tax for any Land Use Class is revised pursuant to step 3.b. above, the CFD Administrator shall prepare and execute a Certificate of Reduction in Special Taxes substantially in the form of Exhibit B hereto and shall deliver such Certificate of Reduction in Special Taxes to CFD No. 4. The Certificate of Reduction in Special Taxes shall be completed for all Land Use Classes and shall set forth, as applicable, either (i) the reduced Assigned Special Tax for a Land Use Class as calculated pursuant to step 3.b., or (ii) the Assigned Special Tax as identified in Table 1 or Table 2 in Section C.1.(b) and C.1.(c) for a Land Use Class that was not revised as determined pursuant to step 3.a.; as well as either (i) the revised Backup Special Tax for a Zone as calculated pursuant to step 4, or (ii) the Backup Special Tax as identified in Table 3 in Section C.1.(d) for a Zone that was not revised as determined pursuant to step 4.
6. If the first series of Bonds is issued within 90 days of the date of receipt of the Price Point Study by the CFD Administrator, CFD No. 4 shall execute the acknowledgement on such Certificate of Reduction in Special Taxes, dated as of the date of such issuance, and, upon the issuance of such first series of Bonds, the Assigned Special Tax for each Land Use Class and the Backup Special Tax shall, *ipso facto*, be, for all purposes, as set forth in such Certificate of Reduction in Special Taxes. If the first series of Bonds is not issued within 90 days of the date of receipt of the Price Point Study by the CFD Administrator, such Certificate of Reduction in Special Taxes shall not be acknowledged by CFD No. 4 and shall, as of such date, be void and of no further force and effect. In such case, if subsequently, a first series of Bonds is expected to be issued, at least 30 days prior to the expected issuance date of such first series of Bonds, the CFD Administrator shall cause a new Price Point Study to be delivered to the CFD Administrator and, following such delivery, steps 2 through 5 of this section shall be performed based on such new Price Point Study.

7. As soon as practicable after the execution by CFD No. 4 of the acknowledgement on the Certificate of Reduction in Special Taxes, CFD No. 4 shall cause to be recorded in the records of the County Recorder an Amended Notice of Special Tax Lien for IA No. 1 reflecting the Assigned Special Taxes and the Backup Special Tax for each Zone set forth in such Certificate of Reduction in Special Taxes.
8. If the Assigned Special Tax is not required to be changed for any Land Use Class based on the calculations performed under step 3 above, there shall be no reduction in the Maximum Special Tax, and no Certificate of Reduction in Special Taxes shall be required. However the CFD Administrator shall prepare and deliver to CFD No. 4 a Certificate of No Reduction in Special Taxes substantially in the form of Exhibit C hereto dated as of the date of the issuance of the first series of Bonds that states that the calculations required pursuant to this Section J have been made and that no changes to the Assigned Special Tax or Backup Special Tax are necessary.
9. CFD No. 4 and the CFD Administrator shall take no further actions under this Section J upon the earlier to occur of the following: (i) the execution of the acknowledgement by CFD No. 4 on a Certificate of Reduction in Special Taxes pursuant to step 6; or (ii) the delivery by the CFD Administrator of a Certificate of No Reduction in Special Taxes pursuant to step 8.

EXHIBIT A

ZONE MAP



APPENDIX B
APPRAISAL REPORT

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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

[Closing Date]

Temescal Valley Water District
Community Facilities District No. 4 (Terramor)
Temescal Valley, California

Re: \$ _____ Community Facilities District No. 4 (Terramor) of Temescal Valley Water District (Improvement Area No. 1) 2018 Special Tax Bonds

Ladies and Gentlemen:

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the Temescal Valley Water District (the “Water District”) taken in connection with the authorization and issuance by the Community Facilities District No. 4 (Terramor) of Temescal Valley Water District (the “District”) of its (Improvement Area No. 1) 2018 Special Tax Bonds in the aggregate principal amount of \$ _____ (the “Bonds”) and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the Water District, the District, the initial purchasers of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued pursuant to the Mello Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California), a resolution adopted by the Board of Directors of the Water District, acting in its capacity as the legislative body of the District (the “Board”), on November 27, 2018, and the Bond Indenture dated as of December 1, 2018 (the “Indenture”), by and between the District and Wilmington Trust, National Association, as trustee. All capitalized terms not defined herein shall have the meaning set forth in the Indenture.

The Bonds are dated their date of delivery and mature on the dates and in the amounts set forth in the Indenture. The Bonds bear interest payable semiannually on each March 1 and September 1, commencing on March 1, 2019, at the rates per annum set forth in the Indenture. The Bonds are registered bonds in the form set forth in the Indenture, redeemable in the amounts, at the times and in the manner provided for 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 Water District, the County of Riverside, the State of California or any other political subdivision thereof within the meaning of any constitutional or statutory limitation, and, except for the Special Taxes, neither the faith and credit nor the taxing power of the Water District, the County of Riverside, the State of California, or any of its political subdivisions is pledged for the payment thereof.

(2) The execution and delivery of the Indenture has been duly authorized by the District, and the Indenture is valid and binding upon the District and is enforceable in accordance with its terms; provided,

however, we express no opinion as to the enforceability of the covenant of the District contained in the Indenture to levy Special Taxes for the payment of Administrative Expenses and we express no opinion as to any provisions with respect to indemnification, penalty, contribution, choice of law, choice of forum or waiver provisions contained therein.

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

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

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

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

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

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

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

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

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

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

Respectfully submitted,

APPENDIX D

**DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF RIVERSIDE
AND THE TEMESCAL VALLEY**

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

Population

The following table offers population figures for the County and the State for 2014 through 2018.

<i>Area</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
County of Riverside	2,291,262	2,317,895	2,346,717	2,382,640	2,415,933
State of California	38,568,628	38,912,464	39,179,627	39,500,973	39,809,693

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

Building Activity

The following table provides a summary of the building permit valuations and the number of new dwelling units authorized in the County from 2013 through 2017.

**BUILDING PERMIT VALUATIONS
County of Riverside
2013-2017**

	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
Valuation (\$000):					
Residential	\$1,375,593	\$1,621,751	\$1,536,742	\$1,759,535	\$1,903,417
Non-residential	<u>873,977</u>	<u>814,990</u>	<u>911,465</u>	<u>1,346,019</u>	<u>1,433,691</u>
Total*	\$2,249,570	\$2,436,741	\$2,448,207	\$3,105,554	\$3,337,108
Residential Units:					
Single family	4,716	5,007	5,007	5,662	6,265
Multiple family	<u>1,427</u>	<u>1,931</u>	<u>1,189</u>	<u>1,039</u>	<u>1,070</u>
Total	6,143	6,938	6,196	6,701	7,335

* Totals may not add to sums because of rounding.
Source: Construction Industry Research Board.

Employment

The following table shows the largest employers located in the County as of fiscal year 2017.

LARGEST EMPLOYERS County of Riverside (as of June 30, 2017)

<i>Rank</i>	<i>Name of Business</i>	<i>Employees</i>	<i>Type of Business</i>
1.	County of Riverside	22,538	County Government
2.	University of California-Riverside	8,686	University
3.	March Air Reserve Base	8,500	Military Reserve Base
4.	Amazon	7,500	Distribution Center
5.	Kaiser Permanente Riverside Medical Center	5,739	Medical Center
6.	Corona-Norco Unified School District	5,399	School District
7.	Riverside Unified School District	4,236	School District
8.	Pechanga Resort and Casino	4,000	Casino & Resort
9.	Riverside University Health Systems-Medical Center	3,876	Medical Center
10.	Eisenhower Medical Center	3,665	Medical Center

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

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Employment and Industry

Employment data by industry is compiled for the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (the “MSA”), which includes all of Riverside and San Bernardino Counties. In addition to varied manufacturing employment, the MSA has large and growing commercial and service sector employment, as reflected in the table below.

The following table represents the Annual Average Labor Force and Industry Employment for the County for the period from 2013 through 2017.

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

	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
Total Farm	14,500	14,400	14,800	14,600	14,400
Total Nonfarm	1,233,300	1,289,300	1,353,100	1,401,900	1,451,600
Total Private	1,008,100	1,060,500	1,119,800	1,159,600	1,201,600
Goods Producing	158,600	170,200	183,000	191,500	196,600
Mining and Logging	1,200	1,300	1,300	900	900
Construction	70,000	77,600	85,700	92,000	97,000
Manufacturing	87,300	91,300	96,100	98,600	98,700
Service Providing	1,074,700	1,119,100	1,170,100	1,210,500	1,255,000
Trade, Transportation and Utilities	299,700	314,900	333,200	348,100	366,000
Wholesale Trade	56,400	58,900	61,600	62,800	63,700
Retail Trade	164,800	169,400	174,300	178,000	182,100
Transportation, Warehousing and Utilities	78,400	86,600	97,400	107,300	120,200
Information	11,500	11,300	11,400	11,500	11,300
Financial Activities	41,800	42,900	43,900	44,600	44,500
Professional and Business Services	131,900	138,700	147,400	145,000	147,200
Educational and Health Services	187,600	194,800	205,100	214,300	224,800
Leisure and Hospitality	135,900	144,800	151,700	160,200	165,700
Other Services	41,100	43,000	44,000	44,600	45,600
Government	<u>225,200</u>	<u>228,800</u>	<u>233,300</u>	<u>242,300</u>	<u>250,000</u>
Total, All Industries	<u>1,247,800</u>	<u>1,303,700</u>	<u>1,367,900</u>	<u>1,416,600</u>	<u>1,466,000</u>

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

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

The following table summarizes the labor force, employment and unemployment figures for the period from 2013 through 2017 for the County, the State and the nation as a whole.

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

<i>Year and Area</i>	<i>Labor Force</i>	<i>Employment⁽¹⁾</i>	<i>Unemployment⁽²⁾</i>	<i>Unemployment Rate (%)⁽³⁾</i>
2013				
County of Riverside	996,400	897,700	98,700	9.9%
State of California	18,625,000	16,958,400	1,666,600	8.9
United States	155,389,000	143,929,000	11,460,000	7.4
2014				
County of Riverside	1,013,500	930,400	83,100	8.2%
State of California	18,758,400	17,351,300	1,407,100	7.5
United States	155,922,000	146,305,000	9,617,000	6.2
2015				
County of Riverside	1,035,700	966,300	69,400	6.7%
State of California	18,896,500	17,724,800	1,171,700	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
2016				
County of Riverside	1,052,600	988,200	64,500	6.1%
State of California	19,093,700	18,048,800	1,044,800	5.5
United States	159,187,000	151,436,000	7,751,000	4.9
2017				
County of Riverside	1,072,500	1,016,200	56,300	5.2%
State of California	19,312,000	18,393,100	918,900	4.8
United States	160,320,000	153,337,000	6,982,000	4.4

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

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

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

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

Source: California Employment Development Department, March 2017 Benchmark and U.S. Department of Labor, Bureau of Labor Statistics.

Personal Income

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

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

Total personal income in Riverside County increased by 52% between 2005 and 2016. The following tables summarize personal income for Riverside County for 2005 through 2016.

PERSONAL INCOME
Riverside County
2005-2016
(Dollars in Thousands)

<i>Year</i>	<i>Riverside County</i>	<i>Annual Percent Change</i>
2005	\$57,669,741	9.2%
2006	63,538,333	10.2
2007	66,347,611	4.4
2008	67,367,683	1.5
2009	65,359,484	(3.0)
2010	66,904,690	2.4
2011	71,213,948	6.4
2012	73,158,724	2.7
2013	75,223,346	2.8
2014	79,066,137	5.1
2015	84,429,454	6.8
2016	87,827,068	4.0

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

The following table summarizes per capita personal income for Riverside County, California and the United States for 2005-2016. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

PER CAPITA PERSONAL INCOME
Riverside County, State of California and the United States
2005-2016

<i>Year</i>	<i>Riverside County</i>	<i>California</i>	<i>United States</i>
2005	\$29,853	\$39,521	\$35,904
2006	31,574	42,334	38,144
2007	31,972	43,692	39,821
2008	31,932	44,162	41,082
2009	30,446	42,224	39,376
2010	30,380	43,323	40,278
2011	31,847	45,854	42,463
2012	32,301	48,359	44,283
2013	32,828	48,555	44,489
2014	34,044	51,317	46,486
2015	35,883	54,664	48,429
2016	36,782	56,308	49,204

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

Taxable Sales

The table below presents taxable sales for the years 2010 through 2016 for the County.

TAXABLE SALES
County of Riverside
2010-2016⁽¹⁾
(Dollars in Thousands)

<i>Year</i>	<i>Permits</i>	<i>Taxable Transactions</i>
2010	45,688	\$23,152,780
2011	46,886	25,641,497
2012	46,316	28,096,009
2013	46,805	30,065,467
2014	48,453	32,035,687
2015 ⁽¹⁾	56,846	32,910,909
2016	57,771	34,231,144

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

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

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE

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

DEFINITIONS

Definitions. Unless the context otherwise requires, the following terms will 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 Sections 53311 *et seq.* of the California Government Code.

“Acquisition Agreement” means that certain Acquisition/Financing Agreement relating to Improvement Area No. 1 of the District, by and among the Water District, the District and Forestar Toscana Development Company, together with any amendments thereto.

“Acquisition and Construction Fund” means the fund by that name established pursuant to the Indenture.

“Administrative Expenses” means the following actual or reasonably estimated costs directly related to the administration of the District: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the Water District or designee thereof or both); the costs of collecting the Special Taxes (whether by the Water District or otherwise); the costs of remitting the Special Taxes to the Trustee; the compensation, expenses and disbursements of the Trustee (including its legal counsel) set forth in the Indenture and incurred in the discharge of the duties required of it under the Indenture; the costs to the Water District, the District or any designee thereof of complying with arbitrage rebate requirements; the costs to the Water District, the District or any designee thereof of complying with disclosure requirements of the Water District, the District or obligated persons 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 of the Water District, the District or any designee thereof related to an appeal of any Special Tax levy; the costs associated with the release of funds from an escrow account; and the Water District’s annual administration fees and third party expenses. Administrative Expenses also includes amounts estimated by the administrator for the District or advanced by the Water District or the District for any other administrative purposes of the District, including attorney’s fees and other costs related to commencing and pursuing to completion any foreclosure action to collect delinquent Special Taxes.

“Administrative Expense Fund” means the fund by that name established pursuant to the Indenture.

“Administrative Expenses Cap” means \$45,000 for each Fiscal Year.

“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.

“Assessor’s Parcel” has the meaning ascribed to it in the RMA.

“Authorized Representative of the District” means the President of the legislative body of the District, the General Manager, the Finance Manager or any other person or persons designated by the President of the

legislative body of the District, the General Manager or the Finance Manager by a written certificate signed by one of such officers of the Water District 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 will be recorded.

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

“Bonds” means the District’s (Improvement Area No. 1) 2018 Special Tax Bonds issued on _____, 2018 in the aggregate principal amount of \$ _____.

“Bond Year” means the twelve-month period ending on September 1 of each year; provided, however, that the first Bond Year will begin on the Delivery Date and end on September 1, 2019.

“Business Day” means a day which is not a Saturday or Sunday or a day of the year on which banks 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 to remain closed.

“Certificate of an Authorized Representative” means a written certificate or warrant request executed by an Authorized Representative of the District.

“Certificate of the Special Tax Consultant” means a certificate of David Taussig & Associates, Inc., or any successor entity appointed by the District, to administer the calculation and collection of the Special Taxes.

“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 Certificate” means that certain Continuing Disclosure Certificate dated _____, 2018, executed and delivered by the District, together with any amendments thereto.

“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, fees of special tax consultants and all other related fees and expenses, as set forth in a Certificate of an Authorized Representative of the District.

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

“County” means the County of Riverside.

“County Facilities Account” means the account by that name established pursuant to the Indenture.

“County Project Costs” means the share of the Project Costs relating to facilities to be owned and operated by the County.

“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, a limited-purpose trust company organized under the laws of the State of New York, and its successors as securities depository for the Bonds, including any such successor appointed pursuant to the Indenture.

“Developed Property” has the meaning ascribed to it in the RMA.

“District” means Community Facilities District No. 4 (Terramor) of Temescal Valley Water District established pursuant to the Act and the Resolution of Formation.

“District Project Costs” means the share of the Project Costs relating to facilities to be owned and operated by the District.

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

“Extraordinary Administrative Expenses” means Administrative Expenses required for extraordinary District events such as foreclosure actions against delinquent taxpayers within Improvement Area No. 1 required to be prosecuted on an expedited basis pursuant to the Indenture, the approval and implementation of actions requiring Bondowner consent under the Indenture, or actual or threatened Bondowner or property owner litigation arising out of the Bonds or in connection with Improvement Area No. 1.

“Federal Securities” means any of the following: (a) non-callable direct obligations of the United States of America (“Treasuries”) or obligations for which the full faith and credit of the United States of America are unconditionally pledged for the payment of interest and principal, (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 the next following June 30.

“Fitch” means Fitch Ratings, New York, New York, or its successors, and if such organization for any reason no longer performs the functions of a securities rating agency, “Fitch” will refer to any other nationally recognized securities rating agency designated by the Water District.

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

“Improvement Area No. 1” means Improvement Area No. 1 within the District.

“Indenture” means the Bond Indenture pursuant to which the Bonds are issued, together with any Supplemental Indenture approved pursuant to the Indenture.

“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:

- (1) is in fact independent and not under the domination of the District or the Water District;
- (2) does not have any substantial interest, direct or indirect, in Improvement Area No. 1, the District or the Water District; and

(3) is not connected with the District or the Water District as a member, officer or employee of the District or the Water District, but who may be regularly retained to make annual or other reports to the District or the Water District.

“Information Services” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board, at www.emma.msrb.org; provided, however, in accordance with then current guidelines of the Securities and Exchange Commission, Information Services means such other organizations providing information with respect to called bonds as the District may designate to the Trustee in writing.

“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, 2019; provided, however, that, if any such day is not a Business Day, interest up to the Interest Payment Date will be paid on the Business Day next succeeding such date.

“Investment Agreement” means one or more agreements for the investment of funds of the District complying with the criteria therefor as set forth in subsection (11) of the definition of Permitted Investments.

“Joint Community Facilities Agreement” means that certain Joint Community Facilities Agreement (Street and Flood Control Improvements) relating to Improvement Area No. 1 of the District, by and among the Water District, the Water Conservation District, the County and Forestar Toscana Development Company, together with any amendments thereto.

“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:

- (1) 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
- (2) 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, New York, New York, or its successors, and if such organization for any reason no longer performs the functions of a securities rating agency, “Moody’s” will refer to any other nationally recognized securities rating agency designated by the Water District.

“Net Taxes” means Gross Taxes minus 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 the ordinance adopted by the legislative body of the District on November 22, 2016, providing for the levying of the Special Tax, as such document may be amended from time to time, or any other document adopted by the Board of Directors of the Water District levying the Special Taxes.

“Outstanding” or “Outstanding Bonds and Parity Bonds” means all Bonds and Parity Bonds theretofore issued by the District, except:

- (1) Bonds and Parity Bonds theretofore cancelled or surrendered for cancellation in accordance with the Indenture;

(2) Bonds and Parity Bonds for payment or redemption of which monies have been theretofore 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

(3) Bonds and Parity Bonds which 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 that at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein (provided that the Trustee may rely upon investment direction of the District as a determination that such investment is a legal investment):

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:

(a) Federal Home Loan Mortgage Corporation (FHLMC)

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

(ii) Senior Debt obligations

(b) Farm Credit Banks (formerly: Federal Land Banks, Federal

(i) Intermediate Credit Banks and Banks for Cooperatives)

(ii) Consolidated system-wide bonds and notes

(c) Federal Home Loan Banks (FHL Banks)

(i) Consolidated debt obligations

(d) Federal National Mortgage Association (FNMA)

- (i) Senior debt obligations
 - (ii) Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
 - (e) Financing Corporation (FICO)
 - (i) Debt obligations
 - (f) Resolution Funding Corporation (REFCORP)
 - (i) Debt obligations
4. Bank deposit products, unsecured certificates of deposit (including those placed by a third party pursuant to an agreement between the District and the Trustee), trust funds, trust accounts, overnight banking deposits, interest bearing deposits, interest bearing money market accounts, time deposits, demand 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 "A-2" without regard to qualifier by a nationally recognized rating agency service.
5. Deposits (including bank deposit products) the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), or collateralized by Permitted Investments described in (1) above, 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 "A-1+" by Standard & Poor's or "Prime-1" by Moody's).
7. Money market mutual funds rated "AAM" or "AAM-G" by a nationally recognized rating agency service, or better (including those for which the Trustee or its affiliates receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise) but excluding such funds with a floating net asset value.
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 or "Prime-1" by Moody's.
 - (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 or "Aa" or better by Moody's.
9. Pre-refunded municipal obligations rated "AAA" by Standard & Poor's or "Aaa" by Moody's meeting the following requirements:
- (a) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the paying agent 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 paying agent 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 paying agent or escrow agent.

10. Repurchase or reverse repurchase agreements:

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 or Moody’s (including the Trustee or any of its affiliates); 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 or 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 or Moody’s, provided that:

- (a) The collateral will be securities described in clause 1(a), (b) or (c) of this subsection, and the market value of the collateral is maintained at levels equal to 104% of the amount of cash transferred by the Trustee or the District 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 or reverse 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, this means the Holder of the Collateral is in possession);
- (d) The repurchase or reverse repurchase agreement will 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 Trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Trustee or the District.

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 or 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 or “Aa” by Moody’s; provided that, by the terms of the investment agreement:

- (a) interest payments are to be made to the Trustee or the District at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the Improvement 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 Trustee or the District agrees by the Indenture 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 will 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 Trustee and the District receives the opinion of domestic counsel (which opinion will be addressed to Trustee and the District 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 Trustee and the District;
- (e) the investment agreement will provide that if during its term
 - (i) 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 (y) 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 (z) repay the principal of and accrued but unpaid interest on the investment; and
 - (ii) 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 Trustee, 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 Trustee or District; and
- (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, this means the Holder of the Collateral is in possession);
- (g) the investment agreement must provide that if during its term
 - (i) the provider defaults in its payment obligations, the provider's obligations under the investment agreement will, at the direction of the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the Trustee or the District, and
 - (ii) the provider becomes 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 Trustee or the District.

12. The State of California Local Agency Investment Fund.

"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 Improvement Area No. 1 made in accordance with the RMA.

“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 Costa Mesa, 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.

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

“Project” means those public facilities described in the Acquisition Agreement and the Joint Community Facilities Agreement which are to be acquired or constructed within and outside of Improvement Area No. 1, including all engineering, planning and design services and other incidental expenses related to such facilities.

“Project Costs” means the amounts necessary to finance the Project, to create and replenish any necessary reserve funds, to pay the initial and annual costs associated with the Bonds or any Parity Bonds, including, but not limited to, remarketing, credit enhancement, Trustee and other fees and expenses relating to the issuance of the Bonds or any Parity Bonds, and to pay any other “incidental expenses” of the District, as such term is defined in the Act.

“Project Facilities Account” means the account by that name created and established in the Acquisition and Construction Fund pursuant to the Indenture.

“Rating Agency” means Fitch, Moody’s and Standard & Poor’s, or any one of such entities, as the context requires.

“Rebate Fund” means the fund by that name established pursuant to the Indenture.

“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 Letter of Representations 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 that amount as of any date of calculation equal to the lesser of (i) 10% of the initial principal amount of the Bonds and Parity Bonds, if any, (ii) Maximum Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any; and (iii) 125% of average Annual Debt Service on the then Outstanding Bonds and Parity Bonds. Notwithstanding the foregoing, in no event will the Reserve Requirement exceed \$_____, the initial Reserve Requirement.

“Resolution of Formation” means the Resolution adopted by the Board of Directors of the Water District on November 22, 2016 pursuant to which the Water District formed the District and Improvement Area No. 1, and authorized the levy of Special Taxes therein.

“RMA” that certain Rate and Method of Apportionment for Improvement Area No. 1 approved pursuant to the Resolution of Formation as it may be amended in accordance with the Act.

“Sinking Fund Payment” means the annual payment to be deposited in the Principal 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 which are designated as Term 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 legislative body of the District on property within Improvement Area No. 1 in accordance with the Ordinance, the Resolution of Formation, the Act and the voter approval obtained at the November 22, 2016 election in Improvement Area No. 1.

“Standard & Poor’s” or “S&P” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, or its successors and if such organization no longer performs the functions of a securities rating agency, “Standard & Poor’s” will refer to any other nationally recognized securities rating agency designated by the Water District.

“Subordinated Bonds” means any bonds or indebtedness of the District that have a lien, charge, pledge or encumbrance on the Net Taxes junior and subordinated to the lien, charge, pledge and encumbrance thereon for the Bonds and any Parity Bonds.

“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.

“Taxable Property” has the meaning ascribed to it in the RMA.

“Term Bonds” means the Bonds maturing on September 1, 20__ and on September 1, 20__, and any term maturities of an issue of Parity Bonds as specified in a Supplemental Indenture.

“Treasurer” means the Treasurer-Tax Collector of the County of Riverside, or his or her written designee.

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

“Underwriter” means Piper Jaffray & Co., with respect to the Bonds and, with respect to each issue of Parity Bonds, the institution or institutions, if any, with whom the District enters into a purchase contract for the sale of such issue.

“Undeveloped Property” has the meaning ascribed to it in the RMA.

“Water Conservation District” means the Riverside County Flood Control and Water Conservation District.

“Water Conservation District Facilities Account” means the account by that name established pursuant to the Indenture.

“Water Conservation District Project Costs” means the share of the Project Costs relating to facilities to be owned and operated by the Water Conservation District.

“Water District” means the Temescal Valley Water District.

GENERAL AUTHORIZATION AND BOND TERMS

Type and Nature of Bonds and Parity Bonds. Neither the faith and credit nor the taxing power of the Water District, the State of California, or any political subdivision thereof other than the District is pledged to the payment of the Bonds or any Parity Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds or any Parity Bonds. The Bonds and any Parity Bonds are not general or special obligations of the Water District 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, as more fully described in the Indenture. 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 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 Water District 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 Water District, 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 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 and neither the members of the legislative body of the District or the Water District Council of the Water District 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 or 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 secured by a pledge, charge, lien and encumbrance upon and equally payable from the Net Taxes and other amounts in the Special Tax Fund, 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, which are set aside for the payment of the Bonds and any Parity Bonds. Amounts in the Special Tax Fund 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 remain Outstanding 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 Acquisition and Construction Fund, the Costs of Issuance Fund or the Administrative Expense Fund will be construed as a trust fund held for the benefit of the Owners.

Nothing in the Indenture or any Supplemental Indenture precludes: (i) subject to the limitations contained in the Indenture, the redemption prior to maturity of any Bonds or Parity Bonds subject to call and redemption and

payment of said Bonds or Parity Bonds from proceeds of refunding bonds issued under the Act as the same exists or as later amended, or under any other law of the State of California; or (ii) the issuance, subject to the limitations contained in the Indenture, of Parity Bonds which are payable from Net Taxes.

Place and Form of Payment. The Bonds and Parity Bonds will be payable both as to principal and interest, and as to any premiums upon the redemption thereof, in lawful money of the United States of America. The principal of the Bonds and Parity Bonds and any premiums due upon the redemption thereof will be payable upon presentation and surrender thereof at the Principal Office of the Trustee, or at the designated office of any successor Trustee. Interest on any Bond or Parity Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Bond or Parity 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 occurring after the issuance of such Bond or Parity Bond, in which event interest will be payable from the dated date of such Bond or Parity Bond, as applicable; provided, however, that if at the time of authentication of such Bond or Parity Bond, interest is in default, interest on that Bond or Parity 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 that Bond or Parity Bond, interest on that Bond or Parity Bond will be payable from its dated date. Interest on any Bond or Parity Bond will be paid to the person whose name appears in the Bond Register as the Owner of such Bond or Parity Bond as of the close of business on the Record Date. Such interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, to such Bondowner at his or her address as it appears on the Bond Register. In addition, upon a request in writing received by the Trustee on or before the applicable Record Date from an Owner of \$1,000,000 or more in principal amount of the Bonds or of any issue of Parity Bonds, payment will be made on the Interest Payment Date by wire transfer in immediately available funds to an account designated by such Owner.

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 or 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 of that Bond or Parity Bond 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.

Registration of Exchange or Transfer. Subject to the limitations set forth in the following paragraph, the registration of any Bond or Parity Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond or Parity Bond for cancellation at the office of the Trustee, accompanied by delivery of written instrument of transfer in a form acceptable to the Trustee and duly executed by the Bondowner or his or her duly authorized attorney.

Bonds or Parity Bonds may be exchanged at the office of the Trustee for a like aggregate principal amount of Bonds or Parity Bonds for other authorized denominations of the same maturity and issue. The Trustee may not collect from the Owner any charge for any new Bond or Parity Bond issued upon any exchange or transfer, but will require the Bondowner 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 or Parity Bonds will be surrendered for registration of transfer or exchange, the District will execute and the Trustee will authenticate

and deliver a new Bond or Bonds or a new Parity Bond or Parity Bonds, as applicable, of the same issue and maturity, for a like aggregate principal amount; provided that the Trustee will not be required to register transfers or make exchanges of (i) Bonds or Parity Bonds for a period of 15 days next preceding any selection of the Bonds or Parity Bonds to be redeemed; or (ii) any Bonds or Parity Bonds chosen for redemption.

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 determines 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 under the Indenture. 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 under the Indenture, 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 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 will be conclusive evidence of their validity and of the regularity of their issuance.

Book-Entry System. The Bonds will be initially delivered in the form of a separate single fully registered Bond (which may be typewritten) for each of the maturities of the Bonds. Upon initial delivery, the ownership of each such Bond will be registered in the registration books kept by the Trustee in the name of the Nominee as nominee of the Depository. Except as provided in the Indenture, all of the Outstanding Bonds will be registered in the registration books kept by the Trustee in the name of the Nominee. At the election of the District, any Parity Bonds may also be issued as book-entry bonds registered in the name of the Nominee as provided in the Indenture, in which case the references to “Bonds” in the Indenture with respect to the Book-Entry System will be applicable to such Parity Bonds.

With respect to Bonds registered in the registration books kept by the Trustee in the name of the Nominee, the District and the Trustee will have no responsibility or obligation to any such Participant or to any Person on behalf of which such a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the District and the Trustee will 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 the Bonds, (ii) the delivery to any Participant or any other Person, other than an Owner as shown in the registration books kept by the Trustee, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in the Bonds to be redeemed in the event the Bonds are redeemed in part, or (iv) the payment to any Participant or any other Person, other than an Owner as shown in the registration books kept by the Trustee, of any amount with respect to principal of, premium, if any, or interest due with respect to the Bonds. The District and the Trustee may treat and consider the Person in whose name each Bond is registered in the registration books kept by the Trustee as the holder and absolute owner of such Bond for the purpose of payment of the principal of, 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 due on the Bonds only to or upon the order of the respective Owner, as shown in the registration books kept by the Trustee, or their respective attorneys duly authorized in writing, and all such payments will be valid and effective to satisfy and discharge fully the District's obligations with respect to payment of the principal, premium, if any, and interest due on the Bonds to the extent of the sum or sums so paid. No Person other than an Owner, as shown in the registration books kept by the Trustee, will receive a Bond evidencing the obligation of the District to make payments of principal, premium, if any, and interest pursuant to the Indenture. Upon delivery by the Depository to the Trustee and the District 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 new nominee of the Depository.

Transfers Outside Book-Entry System. In the event (i) the Depository determines not to continue to act as securities depository for the Bonds, or (ii) the District determines that the Depository will no longer so act, then the District will discontinue the book-entry system with the Depository. If the District fails to identify another qualified securities depository to replace the Depository then the Bonds so designated will no longer be restricted to being registered in the registration books kept by the Trustee in the name of the Nominee, but will be registered in whatever name or names Persons transferring or exchanging Bonds designate, in accordance with the provisions of the Indenture.

Payments to the Nominee. Notwithstanding any other provisions of the Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal, premium, if any, and interest due with respect to such Bond and all notices with respect to such Bond will be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

CREATION OF FUNDS AND APPLICATION OF PROCEEDS

Creation of Funds; Application of Proceeds.

(a) The Trustee has established and will maintain the following funds and accounts in accordance with the terms of the Indenture:

(1) The Community Facilities District No. 4 of Temescal Valley Water District Improvement Area No. 1 Proceeds Fund (the "Proceeds Fund").

(2) The Community Facilities District No. 4 of Temescal Valley Water District Improvement Area No. 1 Special Tax Fund (the "Special Tax Fund") (in which there will be established and created an Interest Account, a Principal Account, a Redemption Account and a Reserve Account).

(3) The Community Facilities District No. 4 of Temescal Valley Water District Improvement Area No. 1 Rebate Fund (the "Rebate Fund").

(4) The Community Facilities District No. 4 of Temescal Valley Water District Improvement Area No. 1 Acquisition and Construction Fund (the "Acquisition and Construction Fund") (in which there will be established a Project Facilities Account, a County Facilities Account and a Conservation District Facilities Account).

(5) The Community Facilities District No. 4 of Temescal Valley Water District Improvement Area No. 1 Costs of Issuance Fund (the "Costs of Issuance Fund").

(6) The Community Facilities District No. 4 of Temescal Valley Water District Improvement Area No. 1 Surplus Fund (the "Surplus Fund").

(7) The Community Facilities District No. 4 of Temescal Valley Water District Improvement Area No. 1 Administrative Expense Fund (the "Administrative Expense 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 will disburse investment earnings thereon in accordance with the provisions of the Indenture.

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.

(b) The proceeds of the sale of the Bonds will be received by the Trustee on behalf of the District and deposited in the Proceeds Fund, which proceeds will be deposited and transferred as set forth in the Official Statement under the caption “ESTIMATED SOURCES AND USES OF FUNDS.”

Deposits to and Disbursements from Special Tax Fund.

(a) Except for Prepayments which will be deposited to 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 Expense 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) At 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 Expense Fund. The Trustee will transfer from the Special Tax Fund and deposit in the Administrative Expense Fund from time to time amounts necessary to make timely payment of Administrative Expenses as set forth in a Certificate of an Authorized Representative; provided, however, that, the total amount transferred in a Fiscal Year, commencing with the 2018-19 Fiscal Year, will not exceed the Administrative Expenses Cap (plus Extraordinary Administrative Expenses in the event there are Extraordinary Administrative Expenses) until such time as there has been deposited to the Interest Account and the Principal Account an amount, together with any amounts already on deposit therein, that is sufficient to pay the interest and principal on all Bonds and Parity Bonds, including Sinking Fund Payments, due in such Fiscal Year and to restore the Reserve Account to the Reserve Requirement. Moneys in the Administrative Expense 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 and interest due on the Bonds and any Parity Bonds until maturity, other than principal due upon optional or extraordinary redemption, 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 and interest on the Bonds and any Parity Bonds will be made when due, after making the transfer to the Administrative Expense Fund required by the Indenture, at least 5 Business Days 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, 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 transfers from the Reserve Account:

(a) To the Interest Account, an amount such that the balance in the Interest Account 5 Business Days prior to each Interest Payment Date will be 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 which 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 5 Business Days prior to September 1 of each year, commencing September 1, 2019, equals the principal payment due on the Bonds and any Parity Bonds on such September 1, whether at maturity or by Sinking Fund Payment, 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 of such Bonds and any Parity Bonds as the same become due at maturity or by Sinking Fund Payment.

Redemption Account of the Special Tax Fund.

(a) After making the transfer to the Administrative Expense Fund, the Interest Account and the Principal Account of the Special Tax Fund pursuant to the Indenture, and in accordance with the District's election to call Bonds for optional redemption as set forth in the Indenture, or to call Parity Bonds for optional redemption as set forth in any Supplemental Indenture for Parity Bonds, the Trustee will establish the Redemption Account and 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 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.

(b) Prepayments deposited to the Redemption Account, along with any amounts that an Authorized Officer of the District directs to be transferred from the Reserve Account to the Redemption Account in connection with any Prepayments, will be applied on the redemption date established pursuant to 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; provided that amounts will be transferred from the Reserve Account only if immediately following such redemption the amount in the Reserve Account will meet the Reserve Requirement.

(c) Moneys set aside in the Redemption Account will be used solely for the purpose of redeeming Bonds and Parity Bonds and 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 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 next sentence. 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 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.

Reserve Account of the Special Tax Fund. There will be maintained in the Reserve Account of the Special Tax Fund an amount equal to the Reserve Requirement. The amounts in the Reserve Account will be applied as follows:

(a) 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 therefor 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 or the Principal Account of the Special Tax Fund are insufficient to pay the principal of, including Sinking Fund Payments, or interest on the Bonds or any 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 or the Principal Account of the Special Tax Fund or the Rebate Fund, as applicable, moneys necessary for such purposes.

(b) Whenever moneys are withdrawn from the Reserve Account, after making the required transfers to the Administrative Expense Fund, the Interest Account, the Principal Account and the Redemption Account, the Trustee will transfer to the Reserve Account from available moneys in the Special Tax Fund, or from any other legally available funds which 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 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, subject to any limitations in the Act, will include the amount necessary 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 and the limitations of the Act.

(c) In connection with a redemption of Bonds in accordance with the Indenture or Parity Bonds in accordance with any Supplemental Indenture, 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 pursuant to the Indenture 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.

(d) 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 not transferred in accordance with the preceding provisions above 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.

Rebate Fund.

(a) The Trustee will establish and maintain, when needed, a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund. The District will cause to be deposited in the Rebate Fund such amounts as required under the Tax Certificate. All money at any time deposited in the Rebate Fund will be held by the Trustee in trust, for payment to the United States Treasury. All amounts on deposit in the Rebate Fund will be governed by the Indenture and the Tax Certificate.

Without limiting the generality of the foregoing, the District agrees that there will be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final treasury regulations as may be applicable to the Bonds from time to time, which the District covenants in the Indenture to pay or cause to be paid to the United States at the times and in the amounts determined under the Tax Certificate. The Trustee agrees in the Indenture to comply with all instructions given to it by the District in accordance with this covenant. The Trustee will conclusively be deemed to have complied with the provisions of the Indenture and the Tax Certificate if it follows the instructions of the District and will not be required to take any actions under the Indenture in the absence of instructions from the District.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund with respect to the Bonds and each series of Parity Bonds after payment in full of such issue and after making the payments required to comply with the Indenture and the applicable Tax Certificate for such issue 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 requirements of the Indenture will survive the defeasance and final payment of the Bonds and any Parity Bonds.

(d) Amendment Without Consent of Owners. The foregoing 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 Parity Bonds issued on a tax-exempt basis. Notwithstanding the foregoing, if the District provides to the Trustee an opinion of a nationally recognized bond or tax counsel that any specified action required under the Indenture with respect to rebate requirements is no longer required or that some further or different action is required to maintain the tax-exempt status of interest on the Bonds and any Parity Bonds issued on a tax-exempt basis, the Trustee and the District may conclusively rely on such opinion in complying with the rebate requirements of the Indenture, and the covenants under the Indenture will be deemed to be modified to that extent.

Surplus Fund. After making the foregoing transfers, as soon as practicable after each September 1, and in any event prior to each September 15, the Trustee will transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, unless on or prior to such date, it has received a Certificate of an Authorized Representative directing (i) 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, or (ii) that certain amounts be transferred to the Acquisition and Construction Fund because such amounts were included in the levy of Special Taxes for the previous Fiscal Year to pay for the acquisition or construction of the Project; provided, however, that, if a transfer is made to the Acquisition and Construction Fund and unexpended proceeds of the Bonds or an issue of Parity Bonds remain in the Acquisition and Construction Fund, the Trustee will establish a Subaccount of the Project Facilities Account for amounts transferred from the Surplus Fund. Moneys deposited in the Surplus Fund will be transferred by the Trustee at the direction of an Authorized Representative of the District (i) 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; (ii) to the Reserve Account in order to replenish the Reserve Account to the Reserve Requirement; (iii) to the Administrative Expense Fund to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expense Fund are insufficient to pay Administrative Expenses; (iv) to the Acquisition and Construction Fund to pay Project Costs; or (v) 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.

(a) 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 to pay Costs of Issuance, substantially in the form attached to the Indenture, and all payments will be made by check or wire transfer in accordance with the payment instructions set forth in such Certificate, and the Trustee may rely on such payment instructions with no duty to investigate or inquire as to their authenticity or the authority under which they were given.

(b) Upon the receipt of a Certificate of an Authorized Representative of the District stating that all or a specified portion of the amount remaining in the Costs of Issuance Fund is no longer needed to pay Costs of Issuance, the Trustee will transfer all or such specified portion, as applicable, of the moneys remaining on deposit in the Costs of Issuance Fund to the Project Facilities Account of the Acquisition and Construction Fund. On the date which is six months after the date of issuance of each series of Bonds and Parity Bonds, all amounts remaining in the Costs of Issuance Fund will be transferred to the Project Facilities Account of the Acquisition and Construction Fund and the Costs of Issuance Fund will be closed.

Acquisition and Construction Fund.

(a) The Trustee will hold the moneys in the County Facilities Account, the Conservation District Facilities Account and the Project Facilities Account and apply such moneys to pay County Project Costs, Conservation District Project Costs and District Project Costs, respectively. Amounts for Project Costs will be disbursed by the Trustee on behalf of the District from the Acquisition and Construction Fund or the accounts therein as specified in a Request for Disbursement of Project Costs, substantially in the form attached to the Indenture, which must be submitted by an Authorized Representative of the District to the Trustee in connection with each requested disbursement. Amounts in the County Facilities Account will go to pay County Project Costs, amounts in the Conservation District Facilities Account will go to pay Conservation District Project Costs and amounts in the Project Facilities Account will go to pay District Project Costs.

(b) Upon receipt of a Certificate of an Authorized Representative of the District stating that all or a specified portion of the amount remaining in the Acquisition and Construction Fund or in any of the accounts therein is no longer needed to pay Project Costs, the Trustee will transfer all or such specified portion, as applicable, of the moneys remaining on deposit in the Acquisition and Construction Fund and the accounts therein to the Principal Account or Redemption Account of the Special Tax Fund or to the Surplus Fund, as directed in the Certificate, provided that in connection with any direction to transfer amounts to the Surplus Fund there will have been delivered to the Trustee with such Certificate an opinion of Bond Counsel to the effect that such transfer to the Surplus Fund 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.

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 Acquisition and Construction 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 will be invested by the Trustee as directed in writing by the District, from time to time, in Permitted Investments subject to the following restrictions:

(a) Moneys in the Costs of Issuance Fund and the Acquisition and Construction Fund will be invested in Permitted Investments which will by their terms mature, or in the case of an Investment Agreement are available without penalty, as close as practicable to the date the District estimates the moneys represented by the particular investment will be needed for withdrawal from the Costs of Issuance Fund and the Acquisition and Construction Fund.

(b) Moneys in 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.

(c) Moneys in the Reserve Account of the Special Tax Fund may be invested only in Permitted Investments; provided that no such Permitted Investment of amounts in the Reserve Account will mature later than the earlier of the final maturity date of the Bonds or any Parity Bonds.

(d) Moneys in the Rebate Fund will be invested only in Permitted Investments of the type described in clause (1) 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 (10) of the definition thereof as the District designates on forms provided by the Trustee.

(e) In the absence of written investment directions from the District, the Trustee will invest solely in Permitted Investments specified in clause (7) of the definition thereof; provided, however, that any such investment will be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee has received a written direction specifying a specific money market fund and, if no such written direction is so received, the Trustee will hold such moneys uninvested.

The Trustee will sell, or present for redemption, any Permitted Investment 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 annually within 5 Business Days prior to each September 1. 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 may act as principal or agent in the making or disposing of any investment and will be entitled to its customary fee for making such investment. The Trustee may sell at the best market price obtainable, 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 Trustee will furnish the District periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the District. Upon the District's election, such

statements will be delivered via the Trustee's online service and, upon electing such service, paper statements will be provided only upon request. The District acknowledges that, to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The District further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost, and other trade confirmations may be obtained from the applicable broker.

REDEMPTION OF BONDS AND PARITY BONDS

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 procedure for the selection of Parity Bonds for redemption may be modified as set forth in the Supplemental Indenture for such Parity Bonds. So long as the Bonds are registered in the name of the Nominee, such Bonds or any portion thereof will be selected by the Depository in accordance with its operating procedures.

Partial Redemption of Bonds or Parity Bonds. 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.

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 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

Warranty. The District warrants that it 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; 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 covenants in the Indenture that it will receive all Special Taxes in trust for the Owners and will instruct the Treasurer to deposit all Special Taxes with the Trustee as soon as reasonably practicable following 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 covenants 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 under the Indenture will be made, all in strict conformity with the terms of the Bonds, any Parity Bonds, and the 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 Special Taxes except as provided in the Indenture, and will not issue any obligation or security having a lien, charge, pledge or encumbrance upon the Net Taxes senior or superior to the Bonds or Parity Bonds or on a parity with the Bonds, other than Parity Bonds. Nothing in the Indenture will prevent the District from issuing Subordinated Bonds or incurring other indebtedness which 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) Levy of Special Tax. Beginning in Fiscal Year 2019-20, and so long as any Bonds or Parity Bonds issued under the Indenture are Outstanding, subject to the limitations set forth in the Act and the RMA, the legislative body of the District covenants in the Indenture to levy the Special Tax in an amount sufficient (taking into account reasonably anticipated delinquencies), together with other amounts on deposit in the Special Tax Fund, to pay (1) the principal of and interest on the Bonds and any Parity Bonds when due, (2) the Administrative Expenses, and (3) any amounts required to replenish the Reserve Account of the Special Tax Fund to the Reserve Requirement. The District further covenants 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.

(c) Commence Foreclosure Proceedings. The District covenants for the benefit of the Owners of the Bonds and any Parity Bonds that it (i) will commence judicial foreclosure proceedings against parcels with aggregate delinquent Special Taxes (including prior years) in excess of \$5,000 or more as of the October 1 following the close of each Fiscal Year in which such Special Taxes were due, (ii) will commence judicial foreclosure proceedings against parcels owned by any single owner with delinquent Special Taxes in the aggregate amount (including prior years) of \$5,000 or more, (iii) will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes regardless of delinquent amount 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 less than the Reserve Requirement, and (iv) will diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as the amount in the Reserve Account is at least equal to the Reserve Requirement. The District may, but will not be obligated to, advance funds from any source of legally available funds in order to maintain the Reserve Account. The District may treat any delinquent Special Tax sold to an independent third-party or to any funds of the Water District for at least 100% of the delinquent amount as having been paid. Proceeds of any such sale up to 100% of the delinquent amount will be deposited in the Special Tax Fund.

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

(d) 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, or which might impair the security of the Bonds or any Parity Bonds then Outstanding; provided, however, that nothing in the Indenture requires the District to make any such payments so long as the District in good faith contests the validity of any such claims.

(e) 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 improvements constructed with the proceeds of bonded indebtedness issued by the District, 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 or of 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.

(f) Federal Tax Covenants. 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 covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants in the Indenture, 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 monies 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.

(g) Reduction of Maximum Special Taxes. The District finds and determines in the Indenture that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in Southern California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the District has determined that a reduction in the maximum Special Tax rates authorized to be levied on parcels in Improvement Area No. 1 below the levels provided in the Indenture would interfere with the timely retirement of the Bonds and Parity Bonds. The District determines 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 does covenant in the Indenture, that it will not initiate proceedings to reduce the maximum Special Tax rates for Improvement Area No. 1, unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in Improvement Area No. 1 as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property in each Bond Year for any Bonds and Parity Bonds Outstanding will equal at least the sum of the Administrative Expenses Cap and 110% of gross debt service in each Bond Year on all Bonds and Parity Bonds to remain Outstanding after the reduction is approved, (ii) the District finds in the Indenture that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds and Parity Bonds, and (iii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds. For purposes of estimating Administrative Expenses for the foregoing calculation, the Independent Financial Consultant will assume Administrative Expenses at the Administrative Expenses Cap.

Notwithstanding the foregoing, the District may modify, alter or amend the RMA in any manner so long as such changes do not reduce the maximum Special Taxes that may be levied in each year on Developed Property below the amounts which are necessary to pay Administrative Expenses and to provide Special Taxes in an amount equal to one hundred ten percent (110%) of Maximum Annual Debt Service on the Bonds and Parity Bonds Outstanding as of the date of such amendment.

(h) Covenants to Defend. The District covenants in the Indenture that, in the event that any initiative is adopted by the qualified electors in Improvement Area No. 1 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.

(i) Limitation on Right to Tender Bonds. The District covenants in the Indenture that it will not adopt any policy pursuant to Section 53344.1 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.

(j) Continuing Disclosure. The District covenants in the Indenture to comply with the terms of the Continuing Disclosure Certificate and with the terms of any agreement executed by the District with respect to any Parity Bonds to assist the Underwriter in complying with Rule 15(c)2-12 adopted by the Securities and Exchange Commission.

(k) Further Assurances. The District will preserve and protect the security pledged to the Bonds and any Parity Bonds against all claims and demands as long as the Bonds or Parity Bonds are Outstanding and will make, execute and deliver any and all such further agreements, instruments and assurances as may be reasonably necessary or desirable 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 in the Indenture, 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 of the Indenture 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 will not materially adversely affect the interests of the Owners of the Bonds or any Parity Bonds then Outstanding; or

(e) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the Bondowners or that is contrary to the rules and regulations of the Municipal Securities Rulemaking Board.

Supplemental Indentures or Orders Requiring Bondowner Consent. Exclusive of the Supplemental Indentures described in the preceding paragraph, 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 permits, (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 requires the consent of the Bondowners, the District will so notify the Trustee and will 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 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 refers 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 which 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 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 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 under the Indenture, subject in all respects to such modifications and amendments.

TRUSTEE

Trustee. Wilmington Trust, National Association, has been appointed the Trustee for the Bonds and any Parity Bonds unless and until another Trustee is appointed by the District under the Indenture. The Trustee represents that it has a combined capital (exclusive of borrowed capital) and surplus of at least \$100,000,000. The District may, at any time, appoint a successor Trustee satisfying the requirements of the Indenture for the purpose of receiving all money which the District is required to deposit with the Trustee under the Indenture and to allocate, use and apply the same as provided in the Indenture.

Removal of Trustee. The District may at any time at its sole discretion remove the Trustee initially appointed, and any successor thereto, by delivering to the Trustee a written notice of its decision to remove the Trustee and may appoint a successor or successors thereto; provided that any such successor is a bank 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. Any removal will become effective only upon acceptance of appointment by the successor Trustee. If any bank 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 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 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 in the 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. In the event the District fails to appoint a successor Trustee within ninety (90) days following the receipt of notice by the District, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of the Indenture. Any such successor Trustee appointed by such court will become the successor Trustee under the Indenture notwithstanding any action by the District purporting to appoint a successor Trustee following the expiration of such 90-day period.

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 (a) or (b), default is made 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 has continued 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.

The Trustee agrees in the Indenture to give notice to the Owners as soon as practicable upon the occurrence of an Event of Default under (a) or (b) above and within 10 days of the Trustee’s knowledge of a default of the type described in (c) above which, if not cured, with the passage of time would become an Event of Default.

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 his 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 in the Indenture upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy. Every such remedy is cumulative and 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 such amounts are insufficient to pay in full 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 which 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 is appointed by the Indenture (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 pledged in the Indenture for such payment.

Limitations on Rights and Remedies of Owners. No Owner of any Bond or Parity Bond issued under the Indenture will have 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 will have 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 will have made written request upon the Trustee to exercise the powers in the Indenture granted or to institute such action, suit or proceeding in its own name; (c) said Owners will 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 will have refused or omitted to comply with such request for a period of sixty (60) days after such written request will have been received by, and said tender of indemnity will have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared by the Indenture, 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 will have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided in the Indenture, 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 the foregoing provisions or 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 will 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 pays or causes to be paid, or there is otherwise 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 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 preceding paragraph 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 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 becomes 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 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 becomes 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 federal tax covenants of the District or any covenants in a 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 (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 which 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, which 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 and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be issued for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then Outstanding. Parity Bonds which may only be issued to effect a partial refunding may be issued subject to the following additional specific conditions, which are conditions precedent to the issuance of any such Parity Bonds:

(a) The District must be 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 will have been filed with the Trustee; provided, however, that Parity Bonds may be issued notwithstanding 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 will have been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Parity Bonds will have 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 will be identical in all respects, except as to number, and (iii) fixed serial maturities or Sinking Fund Payments, or any combination thereof, will be 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 District will have received the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Trustee (unless the Trustee is directed by the District to accept 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 and/or general counsel to the District 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;
 - (5) a certificate of an Independent Financial Consultant certifying that in each Bond Year the Annual Debt Service on the Bonds and Parity Bonds to remain Outstanding following the issuance of the Parity Bonds

proposed to be issued is less than the Annual Debt Service on the Bonds and Parity Bonds Outstanding prior to the issuance of such Parity Bonds; and

(6) 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 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 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 therein), 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 will be 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. Any money held by the Trustee in trust for the payment and discharge of any of the Outstanding Bonds and Parity Bonds which remain 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 and 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 will not be 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 of the Indenture 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 issuing Subordinated Bonds or creating other indebtedness payable from a pledge, lien, charge and encumbrance upon 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 under the Indenture.

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 desirable 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.

Severability. 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, is severable and will not be affected thereby, and the Indenture, the Bonds and any Parity Bonds issued pursuant to the Indenture will remain valid and the Bondowners will retain all valid rights and benefits accorded to them under the laws of the State of California.

APPENDIX F

FORM OF DISTRICT CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated December __, 2018 (the “Disclosure Certificate”) is executed and delivered by Community Facilities District No. 4 (Terramor) of Temescal Valley Water District (the “District”) in connection with the issuance and delivery by the District of its \$ _____ (Improvement Area No. 1) 2018 Special Tax Bonds (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted on November 27, 2018, by the Board of Directors of the Temescal Valley Water District, acting as the legislative body of the District, and the Bond Indenture dated as of December 1, 2018 by and between the District and Wilmington Trust, National Association, as trustee. The District covenants as follows:

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

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

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

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

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

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

“District” shall mean Community Facilities District No. 4 (Terramor) of Temescal Valley Water District.

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

“Improvement Area No. 1” shall mean Improvement Area No. 1 of the District.

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

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

“Official Statement” shall mean that certain Official Statement for the Bonds dated _____, 2018.

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

“Repository” shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the EMMA website of the MSRB, currently located at <http://emma.msrb.org>.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

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

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

“Water District” means the Temescal Valley Water District.

Section 3. Provision of Annual Reports.

(a) The District shall, or, if the Dissemination Agent is other than the District, upon written direction shall cause the Dissemination Agent to, not later than February 1 after the end of the District’s Fiscal Year (June 30) commencing with the report due by February 1, 2019, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District, if any exist, may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, the District shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

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

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

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

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

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

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

Section 4. Content of Annual Reports. The District's first Annual Report shall consist solely of the Official Statement. Thereafter, the Annual Report shall contain or include by reference the following:

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

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

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

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

(iii) any changes to the Rate and Method of Apportionment of the Special Taxes approved or submitted to the qualified electors of Improvement Area No. 1 for approval prior to the filing of the Annual Report;

(iv) an update of the estimated assessed value-to-lien ratio for Improvement Area No. 1 substantially in the form of Table 5 in the Official Statement based upon the most recent Special Tax levy preceding the date of the Annual Report and on the assessed values of property for the current fiscal year;

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

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

(vii) a description of the collection and delinquency rate of Special Taxes in Improvement Area No. 1 for the Fiscal Year then ended;

(viii) if Special Taxes are levied on Undeveloped Property, the amount of Special Taxes levied on Undeveloped Property and the amount of Special Taxes levied on Developed Property (as such terms are defined in the Rate and Method of Apportionment of the Special Taxes); and

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

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

Section 5. Reporting of Significant Events.

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

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

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

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

1. unless described in paragraph 5(a)(5) above, notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. the consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to

undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

3. appointment of a successor or additional paying agent or the change of the name of a paying agent;
4. nonpayment related defaults;
5. modifications to the rights of Owners of the Bonds;
6. bond calls; and
7. release, substitution or sale of property securing repayment of the Bonds.

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

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

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

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

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

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

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

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

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment related to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the formed accounting principles.

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

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

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. Where an entity other than the District is acting as the Dissemination Agent, the Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

District: Temescal Valley Water District
Community Facilities District No. 4 (Terramor)
22646 Temescal Canyon Road
Temescal Valley, California 92883
Attn: General Manager

Underwriter: Piper Jaffray & Co.
2321 Rosecrans Avenue, Suite 3200
El Segundo, CA 90245
Attn: Public Finance

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

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

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

COMMUNITY FACILITIES DISTRICT NO. 4
(TERRAMOR) OF TEMESCAL VALLEY WATER
DISTRICT

By: _____
Disclosure Representative

APPENDIX G

FORM OF DEVELOPER CONTINUING DISCLOSURE CERTIFICATE

This Developer Continuing Disclosure Certificate (the “Disclosure Certificate”) dated December ____, 2018 is executed and delivered by Forestar Toscana Development Company (the “Master Developer”) in connection with the execution and delivery by Community Facilities District No. 4 (Terramor) of Temescal Valley District (the “District”) of its \$_____ (Improvement Area No. 1) 2018 Special Tax Bonds (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted on November 27, 2018, by the Board of Directors of the Temescal Valley Water District, acting as the legislative body of the District, and the Bond Indenture dated as of December 1, 2018 by and between the District and Wilmington Trust, National Association, as trustee. The Master Developer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Master Developer to assist the Underwriter in the marketing of the Bonds.

SECTION 2. Definitions. Unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Affiliate” shall mean, with respect to the Master Developer, (a) each Person that, directly or indirectly, owns or controls, whether beneficially or as an agent, guardian or other fiduciary, twenty-five percent (25%) or more of any class of Equity Securities of the Master Developer, or (b) each Person that controls, is controlled by or is under common control with the Master Developer or any Affiliate of the Master Developer; provided, however, that in no case shall the District be deemed to be an Affiliate of the Master Developer for purposes of this Disclosure Certificate. For the purpose of this definition, “control” of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean initially the Master Developer, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Master Developer and which has filed with the Master Developer and the District a written acceptance of such designation.

“District” shall mean Community Facilities District No. 4 (Terramor) of Temescal Valley Water District.

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

“Equity Securities” of any Person shall mean (a) all common stock, preferred stock, participations, shares, general partnership interests or other equity interests in and of such person (regardless of how designated and whether or not voting or non-voting) and (b) all warrants, options and other rights to acquire any of the foregoing.

“Fiscal Year” shall mean the period beginning on January 1 of each year and ending on the next succeeding December 31.

“Government Authority” shall mean any national, state or local government, any political subdivision thereof, any department, agency, authority or bureau of any of the foregoing, or any other Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Improvement Area No. 1” shall mean Improvement Area No. 1 of the District.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the Official Statement, dated _____, 2018, relating to the Bonds.

“Person” shall mean any natural person, corporation, partnership, firm, association, Government Authority or any other Person whether acting in an individual fiduciary, or other capacity.

“Repository” shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Semiannual Report” shall mean any report to be provided by the Master Developer on or prior to December 15 and June 15 of each year, commencing June 15, 2019, pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“State” shall mean the State of California.

“Underwriter” shall mean the original underwriter of the Bonds, which is Piper Jaffray & Co.

SECTION 3. Provision of Semiannual Report.

(a) Until such time as the Master Developer’s reporting requirements terminate pursuant to Section 6 below, the Master Developer shall, or upon receipt of the Semiannual Report from the Master Developer the Dissemination Agent, if other than the Master Developer, shall, not later than December 15 and June 15 of each year, commencing June 15, 2019, provide to the Repository a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If, in any year, December 15 or June 15 falls on a Saturday, Sunday or a holiday, such deadline shall be extended to the next following day that is not a Saturday, Sunday, or holiday. The Semiannual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Dissemination Agent is other than the Master Developer, not later than fifteen (15) calendar days prior to the date specified in subsection (a) for providing the Semiannual Report to the Repository, the Master Developer (i) shall provide the Semiannual Report to the Dissemination Agent or (ii) shall provide notification to the Dissemination Agent that the Master Developer is preparing, or causing to be prepared, the Semiannual Report and the date which the Semiannual Report is expected to be filed. If by such date, the Dissemination Agent has not received a copy of the Semiannual Report or notification as described in the preceding sentence, the Dissemination Agent shall notify the Master Developer of such failure to receive the report.

(c) If the Master Developer or the Dissemination Agent, if other than the Master Developer, is unable to provide a Semiannual Report to the Repository by the applicable June 15th or December 15th or to verify that a Semiannual Report has been provided to the Repository by the Master Developer by the applicable June 15th or December 15th, the Master Developer or the Dissemination Agent, if other than the Master Developer, shall send a notice to the Repository in the form required by the Repository.

(d) The Master Developer or the Dissemination Agent, if other than the Master Developer, shall:

(i) determine each year prior to the date for providing the Semiannual Report the name and address of the Repository; and

(ii) promptly after receipt of the Semiannual Report file a report with the Master Developer and the District certifying that the Semiannual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the Repository.

(e) Notwithstanding any other provision of this Disclosure Certificate, any of the required filings hereunder shall be made in accordance with the MSRB's EMMA system.

SECTION 4. Content of Semiannual Report.

(a) The Master Developer's Semiannual Report shall contain or include by reference the information which is updated through a date which shall not be more than 60 days prior to the date of the filing of the Semiannual Report relating to the following:

1. An update (if any) to the information relating to the Master Developer and its Affiliates under the captions in the Official Statement entitled "OWNERSHIP AND DEVELOPMENT OF IMPROVEMENT AREA NO. 1" (except that no updates are required on the disclosure for the Master Developer's development experience). Such updates shall include, but not be limited to, the estimated remaining cost of the Master Developer and its Affiliates to complete any of the public improvements in Improvement Area No. 1 and status of construction for the nonresidential property currently owned by the Master Developer (to the extent the same remains owned by the Master Developer or an Affiliate) (collectively, the "Master Developer Improvements").

2. Any significant amendments to land use entitlements that are known to the Master Developer with respect to parcels owned by the Master Developer or its Affiliates within Improvement Area No. 1.

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

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Master Developer shall give, or cause to be given, notice of the occurrence of any of the following events, if material under clauses (b) and (c) as soon as practicable after the Master Developer obtains knowledge of any of the following events:

1. Failure to pay any real property taxes, special taxes or assessments levied within Improvement Area No. 1 on a parcel owned by the Master Developer or any Affiliate;

2. Material default by the Master Developer or any Affiliate on any loan with respect to the construction or permanent financing of the Master Developer Improvements to which the Master Developer or any Affiliate has been provided a notice of default;

3. Material default by the Master Developer or any Affiliate on any loan secured by property within Improvement Area No. 1 owned by the Master Developer or any Affiliate to which the Master Developer or any Affiliate has been provided a notice of default;

4. Payment default by the Master Developer or any Affiliate on any loan of the Master Developer or any Affiliate (whether or not such loan is secured by property within Improvement Area No. 1) which is beyond any applicable cure period in such loan and, in the reasonable judgment of the Master Developer, such payment default will adversely affect the completion of the development of parcels within Improvement Area No. 1, or would materially adversely affect the financial condition of the Master Developer or its Affiliates or their respective ability to complete infrastructure development within Improvement Area No. 1;

5. The filing of any proceedings with respect to the Master Developer in which the Master Developer may be adjudicated as bankrupt or discharged from any or all of its debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of its debts;

6. The filing of any proceedings with respect to an Affiliate in which the Affiliate may be adjudicated as bankrupt or discharged from any or all of its debts or obligations or granted an extension of time to pay its debts or a reorganization or readjustment of its debts, if such adjudication will adversely affect the completion of the development of parcels within Improvement Area No. 1, or would materially adversely affect the financial condition of the Master Developer or its Affiliates and their respective ability to complete infrastructure development within Improvement Area No. 1; and

7. The filing of any lawsuit against the Master Developer or any of its Affiliates (for which the Master Developer has notice, as through receipt of service of process) which, in the reasonable judgment of the Master Developer, will adversely affect the completion of the development of parcels within Improvement Area No. 1, or litigation which if decided against the Master Developer, or any of its Affiliates, in the reasonable judgment of the Master Developer, would materially adversely affect the financial condition of the Master Developer or its Affiliates and their respective ability to complete infrastructure development within Improvement Area No. 1.

(b) Whenever the Master Developer obtains knowledge of the occurrence of a Listed Event, the Master Developer shall as soon as possible determine if such event would be material under applicable federal securities laws. The Master Developer or the Dissemination Agent, if other than the Master Developer, shall have no responsibility to determine the materiality of any of the Listed Events.

(c) If the Master Developer determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Master Developer shall promptly (i) cause a notice of such occurrence to be distributed to the Repository, with a copy to the District, or (ii) file a notice of such occurrence with the Repository, with a copy to the Dissemination Agent, if other than the Master Developer, and the District.

SECTION 6. Termination of Reporting Obligation. The Master Developer's obligations under this Disclosure Certificate shall terminate upon the earlier to occur of the following events:

(a) the legal defeasance, prior redemption or payment in full of all of the Bonds, or

(b) at such time as the Master Developer and its Affiliates are no longer responsible for payment of 20% or more of the special taxes in Improvement Area No. 1.

If such termination occurs prior to the final maturity of the Bonds, the Master Developer shall give notice of such termination in the same manner as for a Listed Event hereunder.

SECTION 7. Dissemination Agent. The Master Developer may from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Master Developer, the Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Master Developer pursuant to this Disclosure Certificate. The Dissemination Agent may resign by providing (i) thirty days written notice to the Master Developer and the Dissemination Agent and (ii) upon appointment of a new Dissemination Agent hereunder.

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

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements or a change in law;

(b) The amendment or waiver either (i) is approved by the owners of the Bonds in the same manner as provided in the Resolution with the consent of owners of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the District, materially impair the interests of the owners or Beneficial Owners of the Bonds; and

(c) The Master Developer shall have delivered copies of the amendment and any opinions delivered under (b) above to the District and the Trustee.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Master Developer shall describe such amendment in the next Semiannual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver.

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

The Master Developer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Master Developer, and that under some circumstances compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the Master Developer under such laws.

SECTION 10. Default. In the event of a failure of the Master Developer to comply with any provision of this Disclosure Certificate, the Underwriter or any owner or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Master Developer to comply with its obligations under this Disclosure Certificate. Notwithstanding the foregoing sentence, the sole remedy under this Disclosure Certificate in the event of any failure of the Master Developer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. This Section 11 applies only if the Dissemination Agent is other than the Master Developer. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Master Developer, the Underwriter, owners of the Bonds or Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon a direction from the Master Developer or an opinion of nationally recognized bond counsel. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Certificate. The Dissemination Agent may conclusively rely upon the Semiannual Report provided to it by the Master Developer as constituting the Semiannual Report required of the Master Developer in accordance with this Disclosure Certificate and shall have no duty or obligation to review such Semiannual Report. The Dissemination Agent shall have no duty to prepare the Semiannual Report nor shall the Dissemination Agent be responsible for filing any Semiannual Report not provided to it by the Master Developer in a timely manner in a form suitable for filing with the Repository. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

SECTION 12. Master Developer as Independent Contractor. In performing under this Disclosure Certificate, it is understood that the Master Developer is an independent contractor and not an agent of the District.

SECTION 13. Notices. Notices should be sent in writing by electronic mail, regular mail or overnight mail to the following addresses. The following information may be conclusively relied upon until changed in writing.

Master Developer:	Forestar Toscana Development Company 4590 MacArthur Boulevard, Suite 600 Newport Beach, California 92660 Attn: Rush Stanisai
Underwriter:	Piper Jaffray & Co. 2321 Rosecrans Avenue, Suite 3200 El Segundo, California 90245 Attn: Public Finance
District:	Temescal Valley Water District Community Facilities District No. 4 (Terramor) 22646 Temescal Canyon Road Temescal Valley, California 92883 Attn: General Manager

SECTION 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Master Developer, the District, the Underwriter and owners of the Bonds and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. California Law. The validity, interpretation and performance of this Disclosure Certificate shall be governed by the laws of the State of California.

FORESTAR TOSCANA DEVELOPMENT COMPANY,
a Delaware corporation

By: _____
Authorized Officer

APPENDIX H

FORM OF [KB HOME/PULTE] CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement of [KB Home/Pulte] (the “Disclosure Agreement”) dated as of December 1, 2018 is executed and delivered by [KB Home/Pulte] (the “Merchant Builder”), and Willdan Financial Services, as dissemination agent (the “Dissemination Agent”), in connection with the execution and delivery by Community Facilities District No. 4 (Terramor) of Temescal Valley Water District (the “District”) of its \$ _____ Community Facilities District No. 4 (Terramor) of Temescal Valley Water District (Improvement Area No. 1) 2018 Special Tax Bonds (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted on November 27, 2018, by the Board of Directors of the Temescal Valley Water District, acting as the legislative body of the District, and the Bond Indenture dated as of December 1, 2018 by and between the District and Wilmington Trust, National Association, as trustee. The Merchant Builder covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Merchant Builder to assist the Underwriter in the marketing of the Bonds.

SECTION 2. Definitions. Unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Affiliate” shall mean, with respect to the Merchant Builder, (a) each Person that, directly or indirectly, owns or controls, whether beneficially or as an agent, guardian or other fiduciary, twenty-five percent (25%) or more of any class of Equity Securities of the Merchant Builder, or (b) each Person that controls, is controlled by or is under common control with the Merchant Builder or any Affiliate of the Merchant Builder; provided, however, that in no case shall the District be deemed to be an Affiliate of the Merchant Builder for purposes of this Disclosure Agreement. For the purpose of this definition, “control” of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean initially Willdan Financial Services, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Merchant Builder and which has filed with the Merchant Builder and the District a written acceptance of such designation.

“District” shall mean Community Facilities District No. 4 (Terramor) of Temescal Valley Water District.

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

“Equity Securities” of any Person shall mean (a) all common stock, preferred stock, participations, shares, general partnership interests or other equity interests in and of such person (regardless of how designated and whether or not voting or non-voting) and (b) all warrants, options and other rights to acquire any of the foregoing.

“Fiscal Year” shall mean the period beginning on January 1 of each year and ending on the next succeeding December 31.

“Government Authority” shall mean any national, state or local government, any political subdivision thereof, any department, agency, authority or bureau of any of the foregoing, or any other Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Improvement Area No. 1” shall mean Improvement Area No. 1 of the District.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the Official Statement, dated _____, 2018, relating to the Bonds.

“Person” shall mean any natural person, corporation, partnership, firm, association, Government Authority or any other Person whether acting in an individual fiduciary, or other capacity.

“Property” shall mean the property within Improvement Area No. 1 owned by the Merchant Builder or its Affiliates.

“Repository” shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Semiannual Report” shall mean any report to be provided by the Merchant Builder on or prior to December 15 and June 15 of each year, commencing June 15, 2019, pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“State” shall mean the State of California.

“Underwriter” shall mean the original underwriter of the Bonds, which is Piper Jaffray & Co.

SECTION 3. Provision of Semiannual Report.

(a) Until such time as the Merchant Builder’s reporting requirements terminate pursuant to Section 6 below, the Merchant Builder shall, or upon receipt of the Semiannual Report from the Merchant Builder the Dissemination Agent shall, not later than December 15 and June 15 of each year, commencing June 15, 2019, provide to the Repository a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. If, in any year, December 15 falls on a Saturday, Sunday or a holiday, such deadline shall be extended to the next following day that is not a Saturday, Sunday, or holiday. The Semiannual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement.

(b) Not later than fifteen (15) calendar days prior to the date specified in subsection (a) for providing the Semiannual Report to the Repository, the Merchant Builder (i) shall provide the Semiannual Report to the Dissemination Agent or (ii) shall provide notification to the Dissemination Agent that the Merchant Builder is preparing, or causing to be prepared, the Semiannual Report and the date which the Semiannual Report is expected to be filed. If by such date, the Dissemination Agent has not received a copy of the Semiannual Report or notification as described in the preceding sentence, the Dissemination Agent shall notify the Merchant Builder of such failure to receive the report.

(c) If the Dissemination Agent is unable to provide a Semiannual Report to the Repository by the applicable June 15th or December 15th or to verify that a Semiannual Report has been provided to the Repository by the Merchant Builder by the applicable June 15th or December 15th, the Dissemination Agent shall send a notice to the Repository in the form required by the Repository.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Semiannual Report the name and address of the Repository; and

(ii) promptly after receipt of the Semiannual Report file a report with the Merchant Builder and the District certifying that the Semiannual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the Repository.

(e) Notwithstanding any other provision of this Disclosure Agreement, any of the required filings hereunder shall be made in accordance with the MSRB's EMMA system.

SECTION 4. Content of Semiannual Report.

(a) The Merchant Builder's Semiannual Report shall contain or include by reference the information which is updated through a date which shall not be more than 60 days prior to the date of the filing of the Semiannual Report relating to the following:

1. An update (if any) to the information relating to the Merchant Builder and its Affiliates under the captions in the Official Statement entitled "OWNERSHIP AND DEVELOPMENT OF IMPROVEMENT AREA NO. 1" (except that no updates are required on the disclosure for the Merchant Builder development experience).

2. Any significant amendments to land use entitlements that are known to the Merchant Builder with respect to the Property.

3. Status of Special Tax payments with respect to the Property.

4. An update of the number of lots within the Property transferred to the Merchant Builder, if any, and the number of homes for which building permits were issued within the Property in the most recently completed Fiscal Year.

(b) Any and all of the items listed above may be included by specific reference to other documents, including official statements of debt issues which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Merchant Builder 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 Merchant Builder shall give, or cause to be given, notice of the occurrence of any of the following events, if material under clauses (b) and (c) as soon as practicable after the Merchant Builder obtains knowledge of any of the following events:

1. Failure to pay any real property taxes, special taxes or assessments levied within the Property by the Merchant Builder or any Affiliate;

2. Material default by the Merchant Builder or any Affiliate pursuant to any loan with respect to the construction or permanent financing for the development of the Property for which the Merchant Builder or any Affiliate has been provided a notice of default;

3. Payment default by the Merchant Builder or any Affiliate on any loan of the Merchant Builder or any Affiliate (whether or not such loan is secured by property within Improvement Area No. 1) which is beyond any applicable cure period in such loan and, in the reasonable judgment of the Merchant Builder, such payment default will adversely affect the completion of the development of the Property or would materially adversely affect the financial condition of the Merchant Builder or its Affiliates or their respective ability to complete development of the Property;

4. The filing of any proceedings with respect to the Merchant Builder in which the Merchant Builder may be adjudicated as bankrupt or discharged from any or all of its debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of its debts;

5. The filing of any proceedings with respect to an Affiliate in which the Affiliate may be adjudicated as bankrupt or discharged from any or all of its debts or obligations or granted an extension of time to pay its debts or a reorganization or readjustment of its debts, if such adjudication will adversely affect the completion of the development of parcels within Improvement Area No. 1, or would materially adversely affect the financial condition of the Merchant Builder or its Affiliates and their respective ability to complete development of the Property; and

6. The filing of any lawsuit against the Merchant Builder or any of its Affiliates (for which the Merchant Builder has actual notice, as through receipt of service of process) which, in the reasonable judgment of the Merchant Builder, will adversely affect the completion of the development of the Property, or litigation which if decided against the Merchant Builder, or any of its Affiliates, in the reasonable judgment of the Merchant Builder, would materially adversely affect the financial condition of the Merchant Builder or its Affiliates and their respective ability to complete development of the Property.

(b) Whenever the Merchant Builder obtains knowledge of the occurrence of a Listed Event, the Merchant Builder shall as soon as possible determine if such event would be material under applicable federal securities laws. The Dissemination Agent shall have no responsibility to determine the materiality of any of the Listed Events.

(c) If the Merchant Builder determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Merchant Builder shall promptly (i) file a notice of such occurrence with the Dissemination Agent which shall then distribute such notice to the Repository, with a copy to the District, or (ii) file a notice of such occurrence with the Repository, with a copy to the Dissemination Agent and the District.

SECTION 6. Termination of Reporting Obligation. The Merchant Builder's obligations under this Disclosure Agreement shall terminate upon the earlier to occur of the following events:

(a) the legal defeasance, prior redemption or payment in full of all of the Bonds, or

(b) [*in the case of KB Home:* at such time as the Merchant Builder and its Affiliates, in the aggregate, are no longer responsible for payment of 20% or more of the special taxes in Improvement Area No. 1] [*in the case of Pulte:* any time after January 1, 2020 if, at such time, the Merchant Builder and its Affiliates, in the aggregate, are no longer responsible for payment of 20% or more of the special taxes in Improvement Area No. 1].

If such termination occurs prior to the final maturity of the Bonds, the Merchant Builder shall give notice of such termination in the same manner as for a Listed Event hereunder.

SECTION 7. Dissemination Agent. The Merchant Builder may from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Merchant Builder, the Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Merchant Builder pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing (i) thirty days written notice to the Merchant Builder and the Dissemination Agent and (ii) upon appointment of a new Dissemination Agent hereunder.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Merchant Builder may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements or a change in law;

(b) The amendment or waiver either (i) is approved by the owners of the Bonds in the same manner as provided in the Resolution with the consent of owners of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the District and the Dissemination Agent, materially impair the interests of the owners or Beneficial Owners of the Bonds; and

(c) the Merchant Builder, or the Dissemination Agent, shall have delivered copies of the amendment and any opinions delivered under (b) above to the District and the Trustee.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Merchant Builder shall describe such amendment in the next Semiannual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver.

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

The Merchant Builder acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Merchant Builder, and that under some circumstances compliance with this Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Merchant Builder under such laws.

SECTION 10. Default. In the event of a failure of the Merchant Builder or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Underwriter or any owner or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Merchant Builder or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. Notwithstanding the foregoing sentence, the sole remedy under

this Disclosure Agreement in the event of any failure of the Merchant Builder or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Merchant Builder, the Underwriter, owners of the Bonds or Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon a direction from the Merchant Builder or an opinion of nationally recognized bond counsel. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent may conclusively rely upon the Semiannual Report provided to it by the Merchant Builder as constituting the Semiannual Report required of the Merchant Builder in accordance with this Disclosure Agreement and shall have no duty or obligation to review such Semiannual Report. The Dissemination Agent shall have no duty to prepare the Semiannual Report nor shall the Dissemination Agent be responsible for filing any Semiannual Report not provided to it by the Merchant Builder in a timely manner in a form suitable for filing with the Repositories. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

SECTION 12. The Merchant Builder as Independent Contractor. In performing under this Disclosure Agreement, it is understood that the Merchant Builder is an independent contractor and not an agent of the District.

SECTION 13. Notices. Notices should be sent in writing by electronic mail, regular mail or overnight mail to the following addresses. The following information may be conclusively relied upon until changed in writing.

Merchant Builder: [KB Home/Pulte]

Attn: _____
Email: _____

Dissemination Agent: Willdan Financial Services
27368 Via Industria, Suite 200
Temecula, CA 92590
Attn: Daniel Louie
Email: dlouie@willdan.com

Underwriter: Piper Jaffray & Co.
2321 Rosecrans Avenue, Suite 3200
El Segundo, CA 90245
Attn: Public Finance
Email: katherine.a.koster@pjc.com

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Merchant Builder, the District, the Dissemination Agent, the Underwriter and owners of the Bonds and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. California Law. The validity, interpretation and performance of this Disclosure Agreement shall be governed by the laws of the State of California.

SECTION 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[KB HOME/PULTE]

By: _____
Authorized Representative

WILLDAN FINANCIAL SERVICES, as Dissemination
Agent

By: _____
Authorized Representative

APPENDIX I

BOOK-ENTRY ONLY SYSTEM

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

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

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

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

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

Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

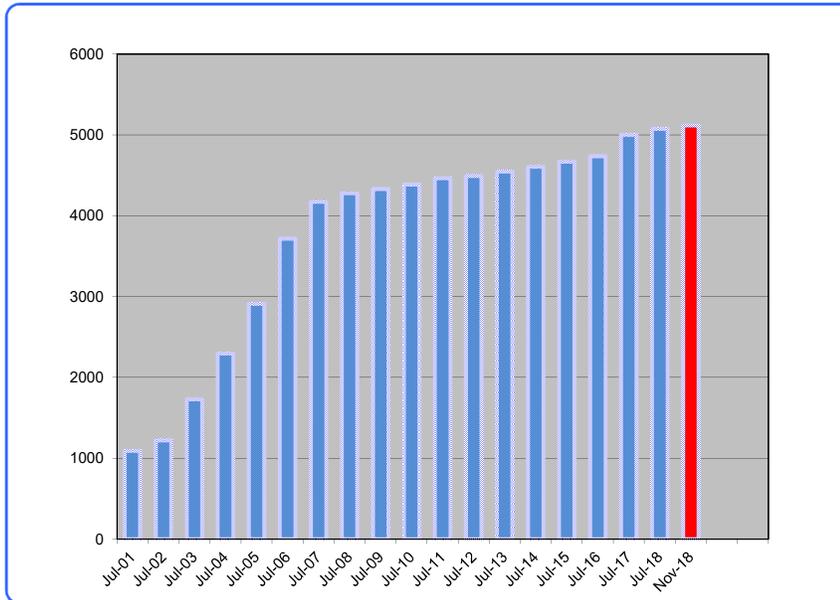
DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

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

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

**TEMESCAL VALLEY WATER DISTRICT
CUSTOMER COUNT PER YEAR(RESIDENTIAL)**
(Excludes SID#1 and SID#2 sewer customers)

DATE	Jul-01	Jul-02	Jul-03	Jul-04	Jul-05	Jul-06	Jul-07	Jul-08	Jul-09	Jul-10	Jul-11	Jul-12	Jul-13	Jul-14	Jul-15	Jul-16	Jul-17	Jul-18	Nov-18
CUSTOMERS	1090	1223	1729	2295	2910	3718	4173	4279	4332	4386	4463	4492	4547	4605	4670	4736	5000	5076	5116



RESIDENTIAL	Total Homes	Completed Homes	
Wildrose Ranch	1043	1043	100%
Trilogy at Glen Ivy	1317	1317	100%
Painted Hills	204	204	100%
Canyon Oaks	26	26	100%
Montecito Ranch	305	305	100%
Sycamore Creek	1735	1548	89%
The Retreat	525	517	98%
Terramor	1443	156	11% 15 MODELS
Harmony Grove	50	0	0%
	<u>6648</u>	<u>5116</u>	<u>77%</u>

TOTAL CUSTOMER COUNT REPORT
October 31, 2018

	Water & Sewer	Water Only	Sewer Only	Count
New homes added 20 Accts closed/transf 52 Empty Homes 6			Butterfield (305) Calif. Meadows (345)	
Residential	5086	2	650	5738
Commercial	88	0	2	90
Commercial-fireheld inactive	41			41
Public Govt	4	1	0	5
Irrigation-Industrial	0	66	0	66
Non-Potable Water other	0	145	0	145
Construction-Bulk Sales	0	22	0	22
Total Active Customers				

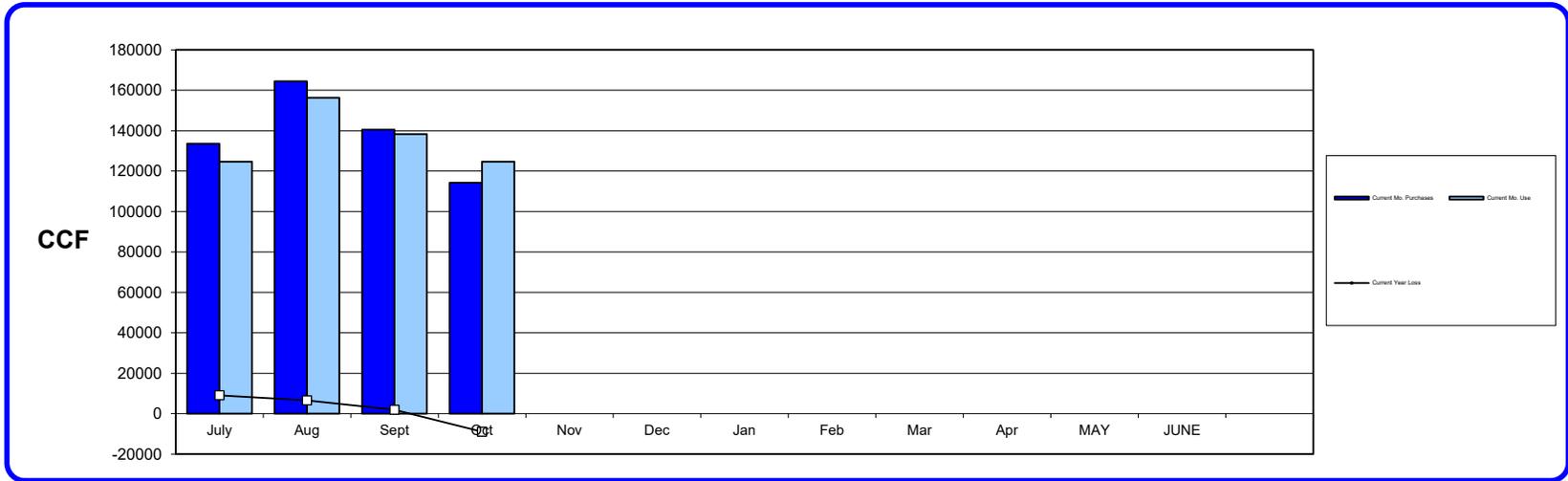
DELINQUENT REPORT

Meters Read - Customers Billed	5414	
Received Delinquent Notice on current bill	452	8.35%
Turned Off for lack of payment	17	0.31%
Customers turned back on, amount paid	17	0.31%

WATER USAGE REPORT FOR FY 2018-2019

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Beg Water Levels	9943	9673	11347	11630								
Ending Water Levels	9673	11347	11630	10154								
Cur Yearly Purchases	133518	164495	140518	114288								
Cur Yr Monthly Use	124735	152286	138302	124684								
GAIN/LOSS (UNITS)	9053	6535	1933	-8920								

TOTAL
552819
540007
8601

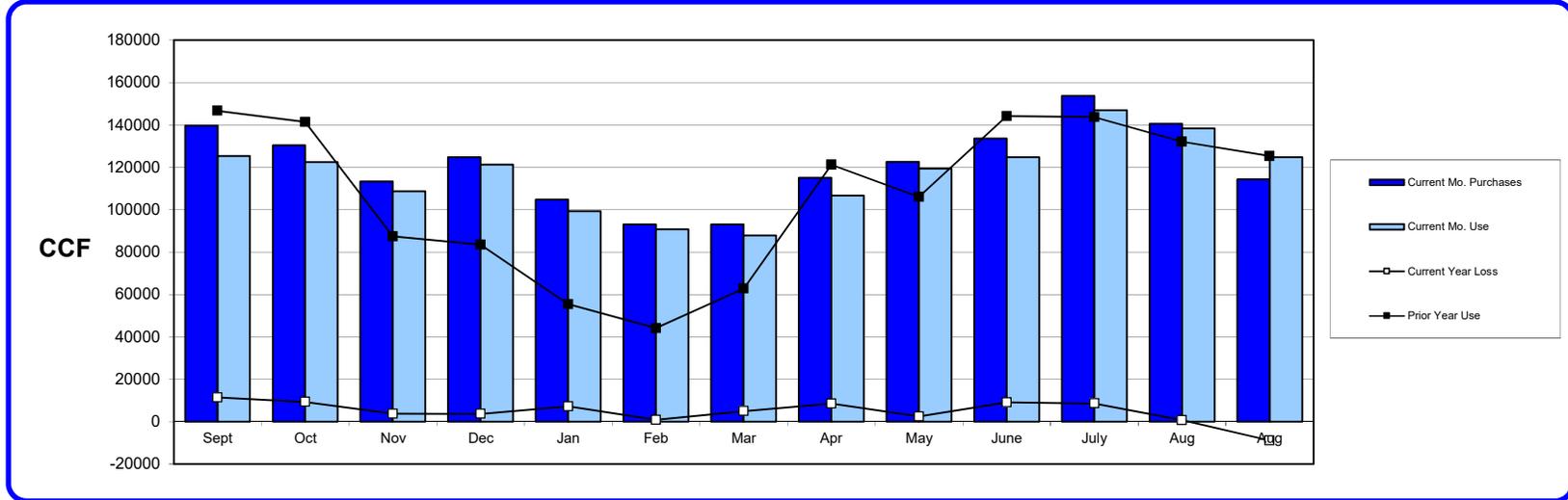


YEAR	%
2014-2015	-5.61
2015-2016	-4.83
2016-2017	-8.01
2017-2018	-5.36

SUMMARY		CCF
Beginning Water in System		9943 CCF
Water Purchased		552819 CCF
Water Used		540007 CCF
Water Remaining in System		10154 CCF
(Loss)/Gain FY to date		(12601) CCF
		-2.28%

WATER USAGE REPORT FOR THIRTEEN MONTHS

	Oct	Nov	Dec	JAN	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	TOTAL
Beg Water Levels	7035	9975	8641	9467	9328	7546	9049	9311	9222	9943	9673	11347	11630	
Ending Water Levels	9975	8641	9467	9328	7546	9049	9311	9222	9943	9673	11347	11630	10154	
Cur Yearly Purchases	139591	130347	113260	124709	104698	92998	92960	115005	122466	133518	153700	140518	114288	1578058
Cur Yr Monthly Use	125247	122417	108702	121203	99305	90737	87771	106589	119302	124735	146815	138302	124684	1515809
Prior Yr Monthly Use	146618	87384	83501	83501	55396	62713	121182	121182	144053	144053	143645	132059	125247	1450534

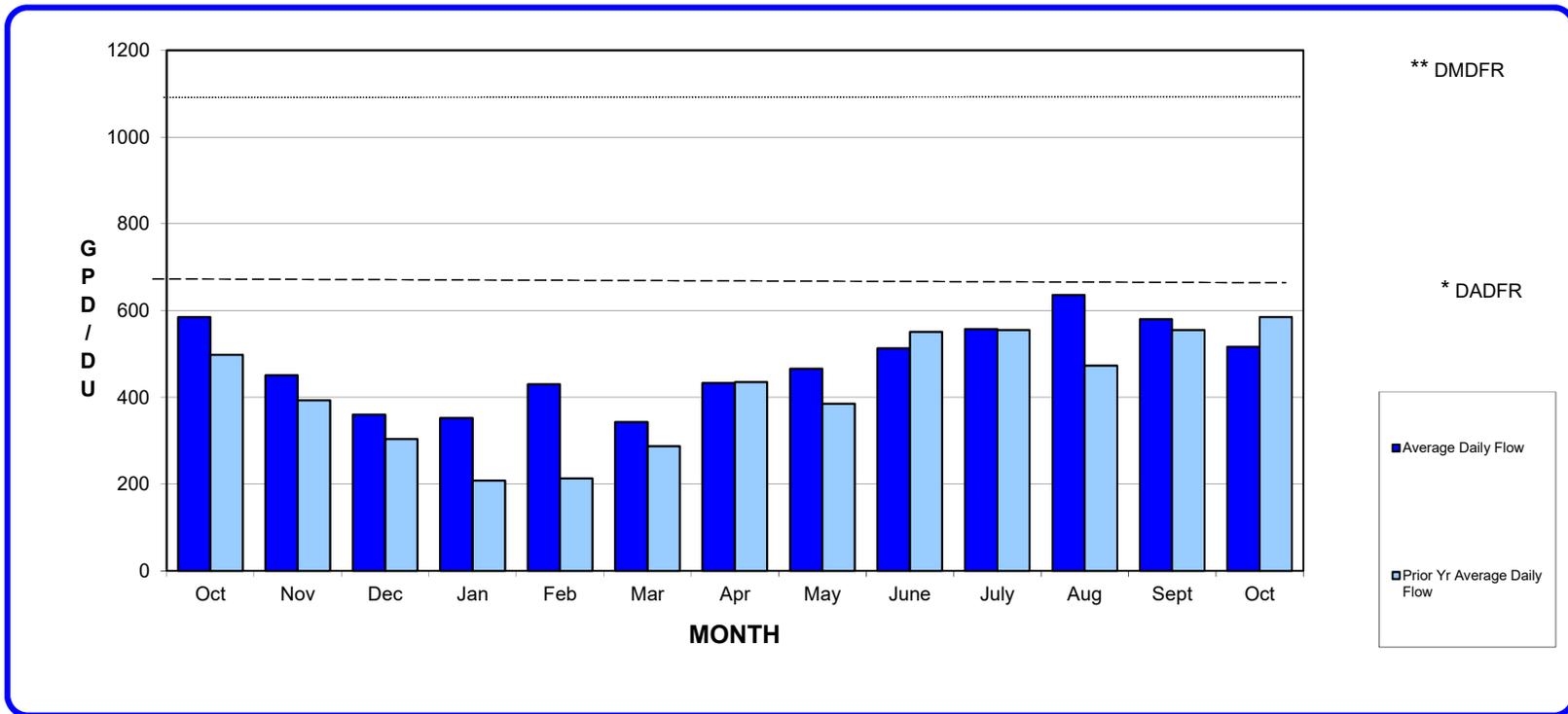


KEY
2016-2017
2017-2018
2018-2019

SUMMARY	CCF
Beginning Water in System	7035 CCF
Water Purchased in last 13 months	1578058 CCF
Water Used in last 13 months	1515809 CCF
Water Remaining in System	10154 CCF
(Loss)/Gain over last 13 months	(59130) CCF
	-3.75%

RESIDENTIAL WATER USAGE AVERAGE DAILY FLOW (GALLONS per DAY per RESIDENTIAL DWELLING UNIT CONNECTED)

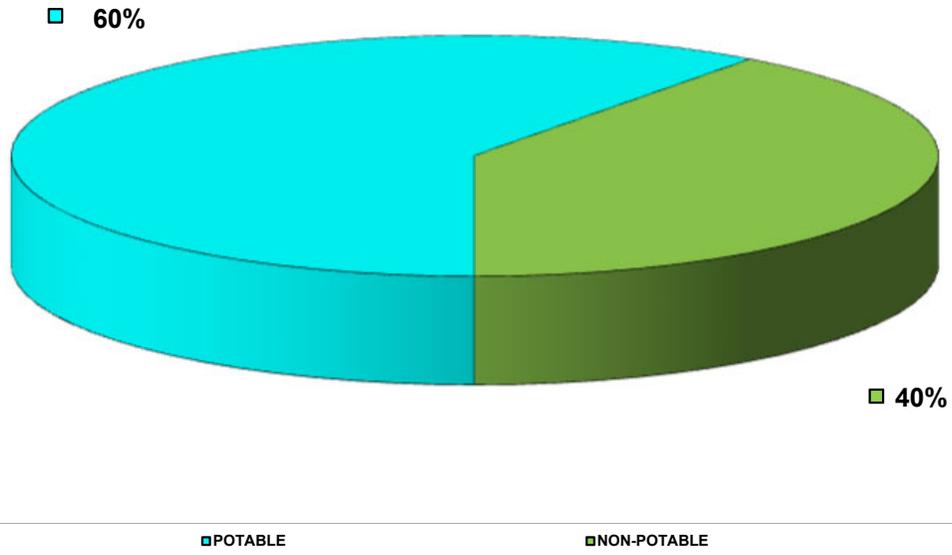
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	YEARLY AVERAGE
Average Daily Flow	585	451	360	352	430	343	433	466	513	557	636	580	517	470
Prior Yr Average Daily Flow	498	393	304	208	213	287	435	385	551	555	473	555	585	412



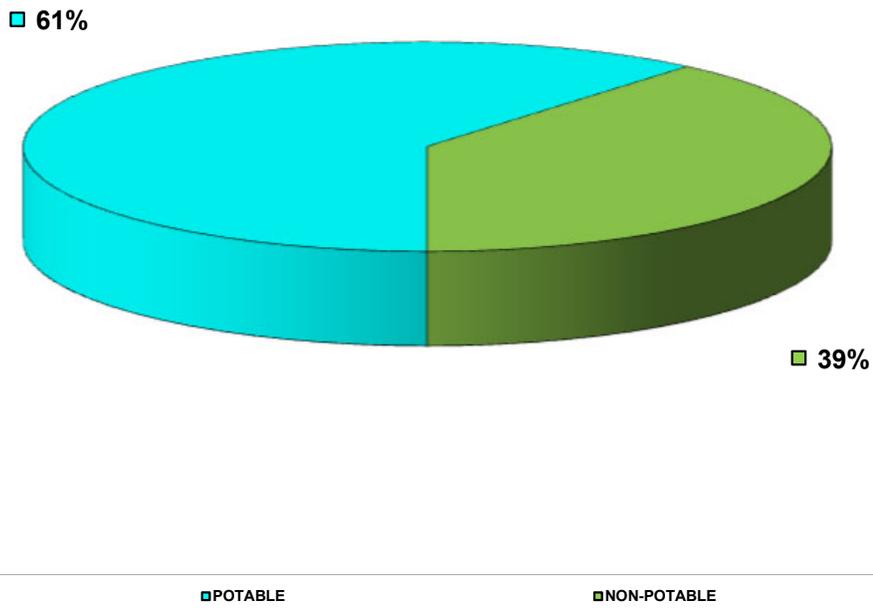
Key
2016-2017
2017-2018
2018-2019

* DESIGN AVERAGE DAILY FLOW RATE IN GPD (650)
 ** DESIGN MAXIMUM DAILY FLOW RATE IN GPD (1140)

**Temescal Valley Water District
Volume of Water Sold
For Four Month Ending October 31, 2018
F/Y 2018-2019**

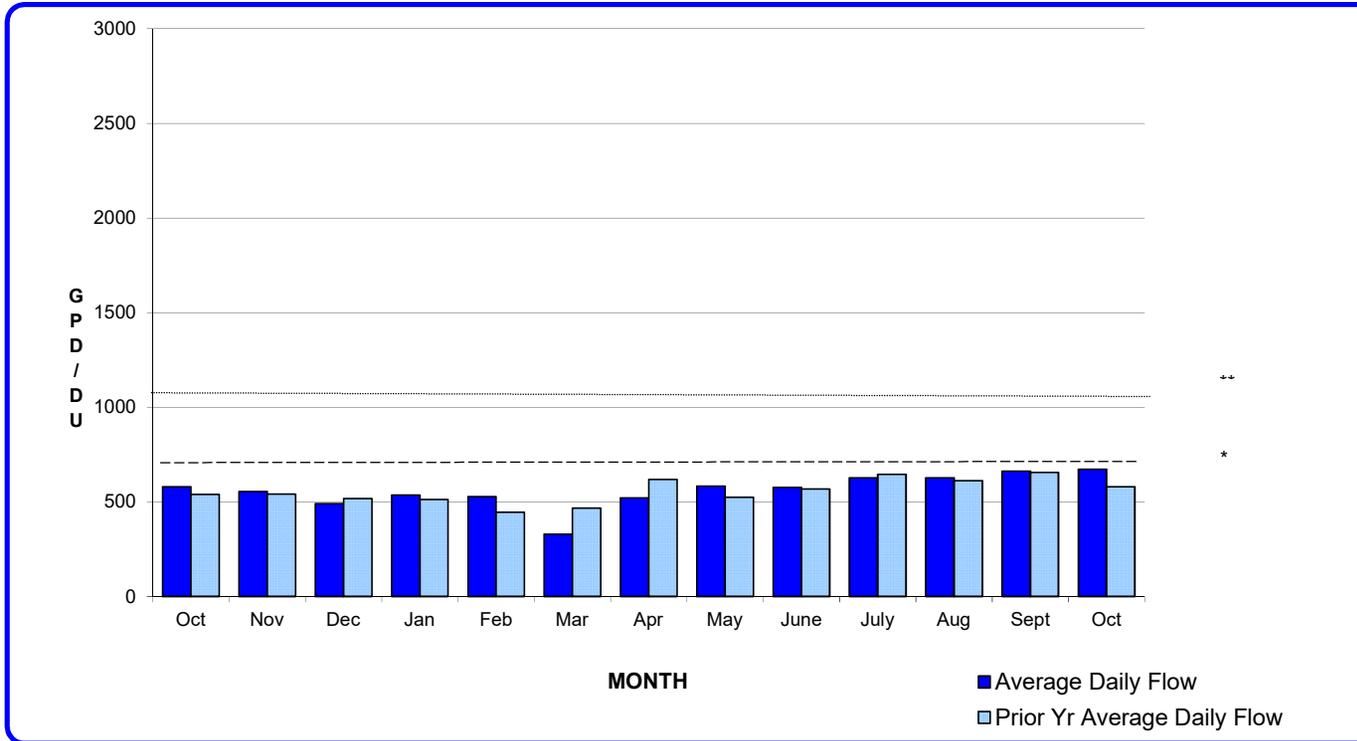


**Temescal Valley Water District
Water Volume Sold
For F/Y 2017-2018
Twelve Months**



**COMMERCIAL WATER USAGE
AVERAGE DAILY FLOW
(GALLONS per DAY per COMMERCIAL DWELLING UNIT CONNECTED)**

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	YEARLY AVERAGE
Average Daily Flow	580	555	491	536	527	329	521	583	577	627	627	663	673	559
Prior Yr Average Daily Flow	539	542	518	512	445	467	618	525	569	646	612	656	580	956

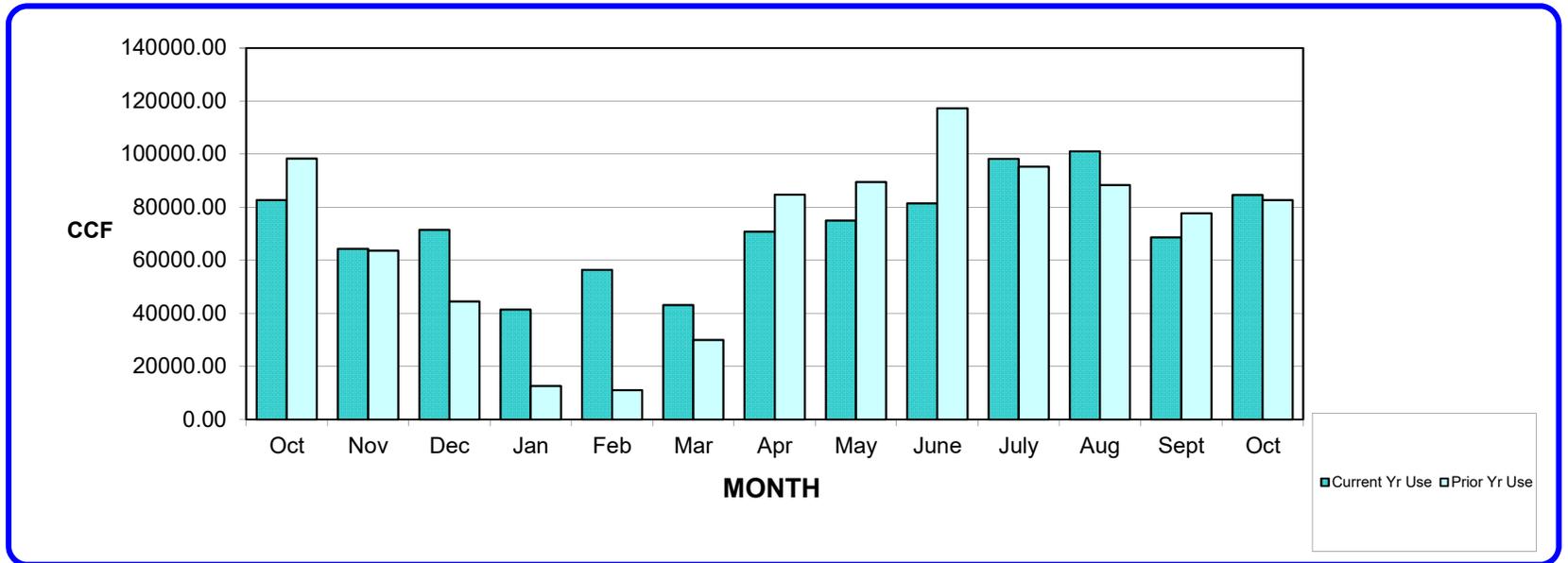


Key
2016-2017
2017-2018
2018-2019

- * DESIGN AVERAGE DAILY FLOW RATE IN GPD (650)
- ** DESIGN MAXIMUM DAILY FLOW RATE IN GPD (1140)

RECYCLED AND NON-POTABLE WELL WATER MONTHLY FLOW (ccf)

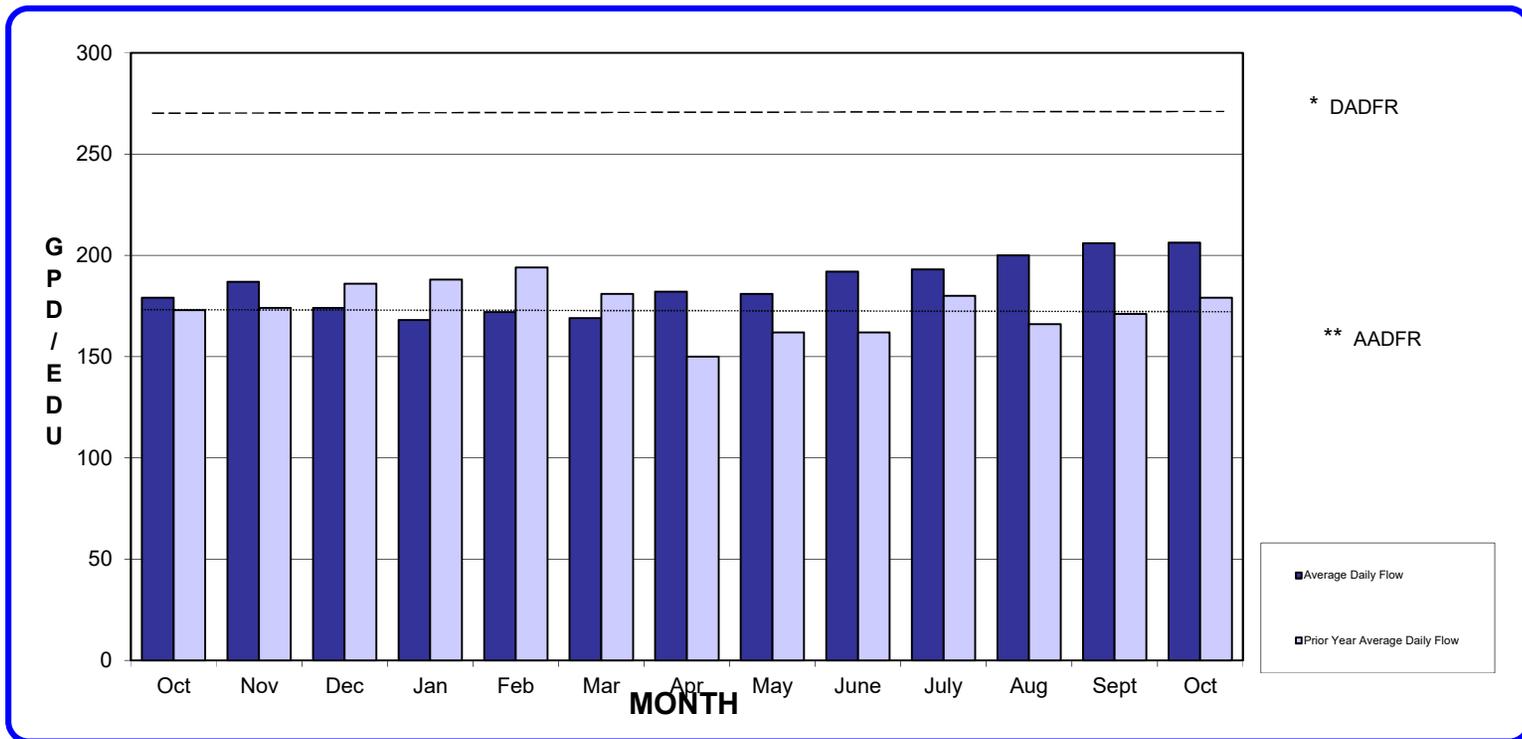
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct
Current Yr Use	82662.81	64288.64	71437.89	41374.89	56321.00	43054.20	70816.32	74999.30	81380.55	98207.89	101012.78	68554.80	84552.12
Prior Yr Use	98261.40	63655.96	44418.02	12663.02	10972.41	29977.05	84766.00	89476.06	117228.16	95220.93	88355.76	77651.75	82662.81
Revenue	\$164,497	\$127,933	\$142,160	\$82,336	\$89,190	\$95,150	\$173,703	\$205,689	\$207,857	\$243,245	\$253,573	\$214,499	\$216,138



Key
2016-2017
2017-2018
2018-2019

RESIDENTIAL & COMMERCIAL SEWER USAGE AVERAGE DAILY FLOW (GALLONS per DAY per DWELLING UNIT)

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	12-Month Average
Average Daily Flow	179	187	174	168	172	169	182	181	192	193	200	206	206	201
Prior Year Average Daily Flow	173	174	186	188	194	181	150	162	162	180	166	171	179	174



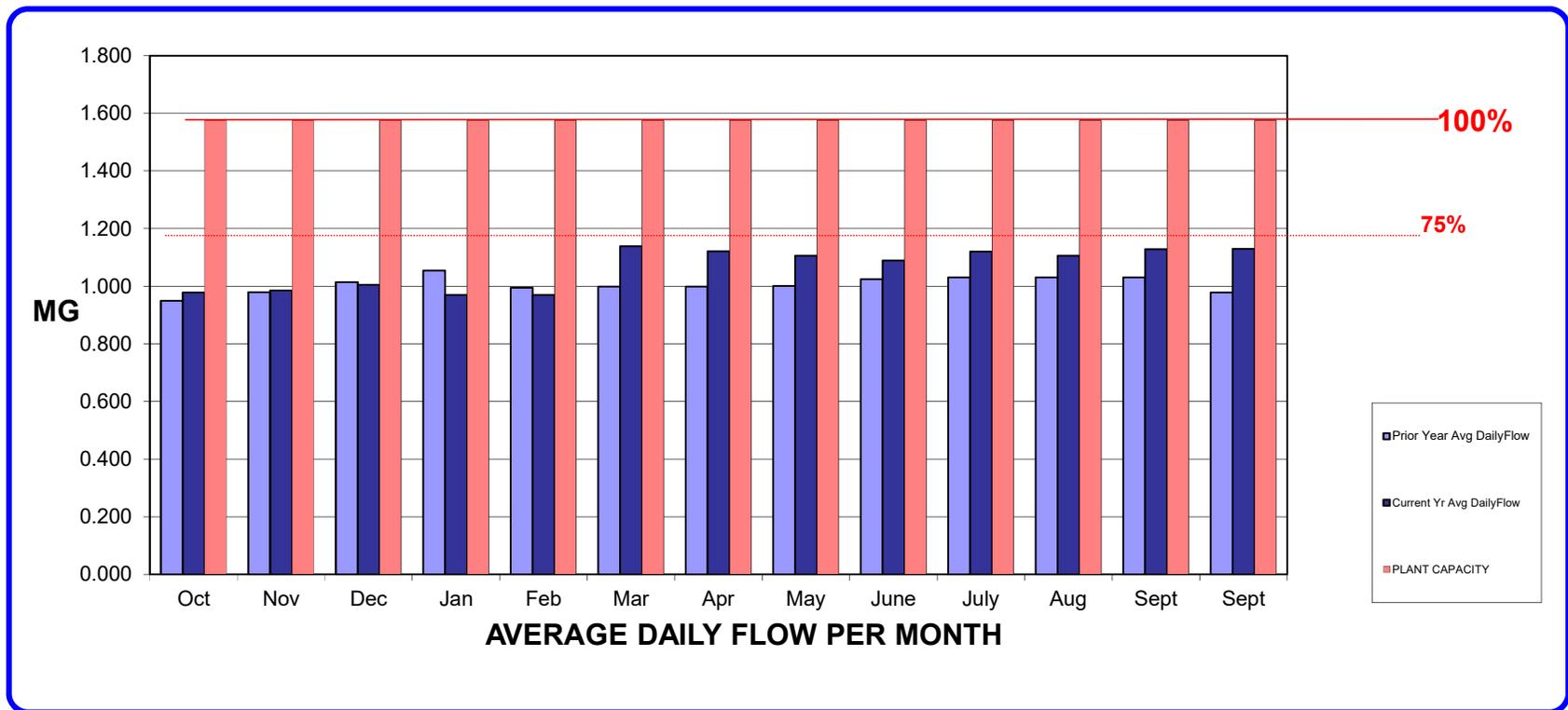
Key
2016-2017
2017-2018
2018-2019

** ACTUAL AVERAGE DAILY FLOW RATE IN GPD

RECLAMATION PLANT FLOW REPORT AVERAGE DAILY FLOW (Million Gallons)

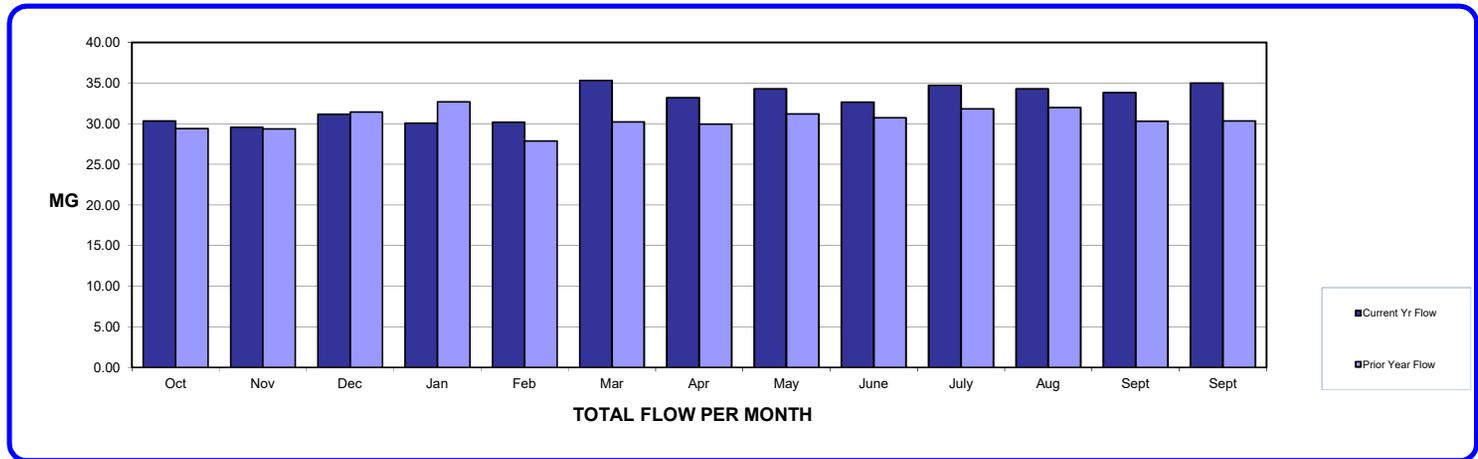
Key
2016-2017
2017-2018
2018-2019

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Sept
Current Yr Avg DailyFlow	0.9780	0.9850	1.0050	0.9700	0.9700	1.1390	1.1210	1.1060	1.0890	1.1200	1.1060	1.1280	1.1290
Prior Year Avg DailyFlow	0.9490	0.9790	1.0140	1.0540	0.9950	0.9990	0.9990	1.0006	1.0240	1.0310	1.0310	1.0310	0.9780
PLANT CAPACITY	1.575	1.575	1.575	1.575	1.575	1.575	1.575	1.575	1.575	1.575	1.575	1.575	1.575



RECLAMATION PLANT DISCHARGE REPORT MONTHLY FLOW (Million Gallons)

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Sept	Total/yr
Current Yr Flow	30.32	29.55	31.15	30.07	30.18	35.31	33.20	34.28	32.67	34.73	34.29	33.84	35.00	394.26
Prior Year Flow	29.41	29.36	31.42	32.68	27.87	30.22	29.95	31.19	30.73	31.84	31.97	30.30	30.32	367.85
Potential Revenue	\$80,651	\$78,606	\$82,854	\$79,986	\$80,279	\$104,341	\$116,793	\$117,052	\$111,554	\$124,060	\$122,488	\$120,880	\$120,880	\$1,259,772

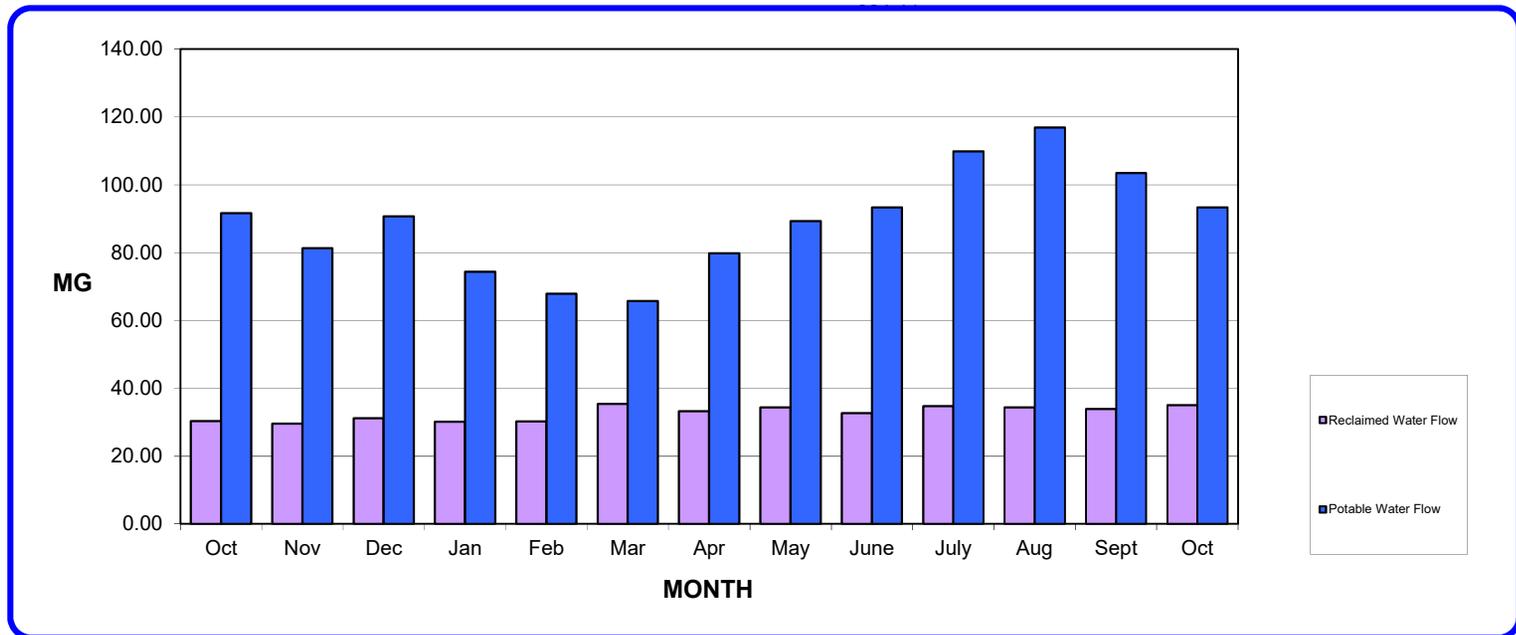


Key
2016-2017
2017-2018
2018-2019

Note - recycled water only

RECLAIMED WATER VERSUS POTABLE WATER MONTHLY FLOW (Million Gallons)

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct
No. of Sewer Dwelling Units Connected	5910	5909	5957	5970	5857	5965	5978	6025	6028	6029	6343	6060	6060
Reclaimed Water Flow	30.32	29.55	31.15	30.07	30.19	35.31	33.20	34.28	32.67	34.73	34.29	33.84	35.01
Potable Water Flow	91.57	81.31	90.66	74.28	67.87	65.65	79.73	89.24	93.30	109.82	116.90	103.45	93.26



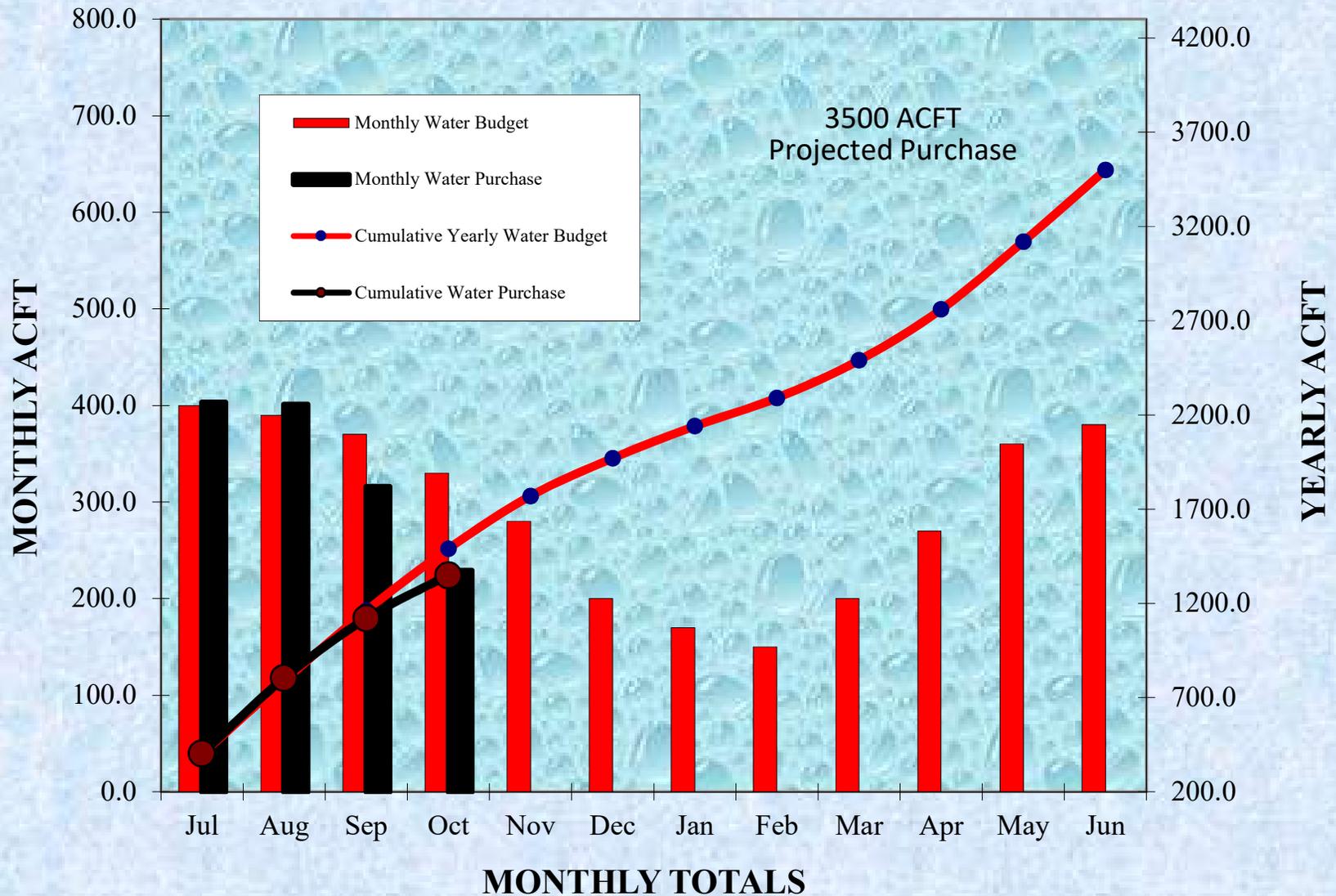
Month	Wildrose(2)	Montecito(3)	Trilogy(4)	Painted Hills(5)	Syc Crk(6)	Retreat(7)	Terramor(8)	Avg All Resid	AVG	TOTAL		
									IND-BK / IRR (1)	RECYCLED- Inc Retreat Golf	NONPOT- Other	NONPOT-Trilogy Golf
AVG '07-'08	18.1	32.7	15.9	32.2	21.7	37.1	-	25.9	106.6			
AVG '08-'09	24.6	33.8	17.0	33.3	32.6	40.8	-	25.4	53.3			
AVG '09-'10	21.9	30.0	15.8	30.2	26.3	38.0	-	23.0	51.7			
AVG '10-'11	20.6	27.6	15.5	25.8	25.1	35.2	-	22.3	36.0			
AVG '11-'12	21.0	27.9	15.9	27.3	24.7	34.0	-	22.5	82.3			
AVG '12-'13	21.9	31.3	15.6	27.5	23.6	30.5	-	22.9	190.0			
AVG '13-'14	22.5	33.8	16.5	28.2	24.5	30.6	-	23.0	9.8			
AVG '14-'15	20.7	28.4	15.4	26.8	21.9	28.2	-	21.2	62.8			
AVG '15-'16	17.4	21.3	10.6	22.4	16.9	24.3	-	16.5	105.4	38,401.9	4,639.1	18,977.2
AVG '16-'17	18.4	26.4	16.7	24.8	18.5	27.1	26.4	19.4	211.0	46,977.4	8,442.6	16,068.4
AVG '17-'18	18.2	22.9	14.0	25.4	18.4	27.1	16.0	18.8	378.4	48,106.6	4,904.8	16,348.5
Jul-18	25.5	36.9	22.7	37.6	22.8	35.7	16.3	25.9	377.7	66,650.4	5,248.9	26,308.7
Aug-18	26.7	37.2	25.4	39.9	24.1	39.9	17.4	27.9	308.8	64,689.9	7,023.0	29,299.9
Sep-18	24.9	34.2	20.7	37.9	23.6	35.5	13.9	25.4	358.8	61,514.7	7,040.1	18,467.7
Oct-18	23.3	32.0	17.9	32.85	22.0	31.7	13.0	23.8	172.7	58,831.5	8,085.6	17,743.0
Nov-18												
Dec-18												
Jan-19												
Feb-19												
Mar-19												
Apr-19												
May-19												
Jun-19												
AVG '17-'18												

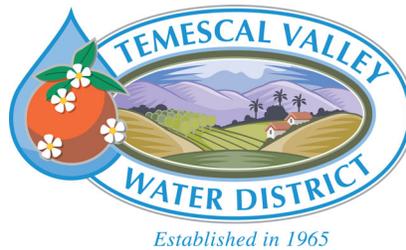
AMOUNTS IN UNITS (CCF) (ONE UNIT = 748 GALS.)

WHOLESALE BUDGET vs PURCHASE

Water Year July 2018 through June 2019

3500 ACFT PROJECTION





November 27, 2018

Board of Directors
Temescal Valley Water District

RE: General Manager's Report

Dear Board:

The following is a brief status report on a number of issues that I have been involved in since the last meeting.

- Working on non-potable water supply improvements
 - Park Canyon Drive RW line – I have a meeting December 4, 2018 to discuss the proposed improvements with Deleo's engineer.
- Working on Conservation opportunities and RW/NP conversion locations
 - Trilogy HOA – Approved Phase 1 – Meter A \$40,000
- Working with Land Developers on water and sewer fees for multiple infill projects.
 - Deleo adjacent to Tom's Farms – New buyer requested Capacity fees – Meritage Homes
 - Forest Boundary – Infrastructure is about 100% complete – building 3 model homes
 - Retreat Infill – Kiley Court – Plans signed
 - Temescal Canyon Road at Campbell Ranch Road – Approved by Planning Commission – Developer requested Water and Sewer fee costs – Met with engineering team on design. Developer requesting CFD funding
 - Kiley Family Trust Property – Tract Map Stage
- Terramor CFD – Bond sale document are on the November agenda for approval
- Terramor Review:
 - RW and Potable Tank – In Construction – Grading site now – Tanks were bid 5-14-18
- Terramor Onsite Water, Sewer and RW improvements
 - Back Bone Gravity Sewer – Loop finished - In Tract Finished - Accepted
 - Back Bone Potable Water – Loop finished - In Tract Finished – Accepted
 - Sewer Lift Station – Accepted into maintained system
- Sycamore Creek:
 - TM 36317 Water Sewer and RW improvement plans – TVWD infrastructure is 90% complete
- WRF Secondary Percolation:
 - Grading of site – Finished – in operation – one last overflow pipe needed
 - Storm drain relocation/repair – Finished

Temescal Valley Water District

22646 Temescal Canyon Road | Temescal Valley, CA 92883-4106 | tel: 951.277.1414 | fax: 951.277.1419
www.temescalvwd.com

**AGREEMENT FOR REIMBURSEMENT OF
THE COST OF CONSTRUCTION OF
THE SLATER SEWER LIFT STATION
(LEROY ROAD)**

SPECIAL CONNECTION FEE

This Agreement is made and entered into this 27th day of March 2018, by and between Don Slater (Owner), and the Temescal Valley Water District (District).

The parties agree as follows:

SECTION 1. LIFT STATION

The Owner has constructed a lift station and force main in District's sewer service area as shown on the attached Exhibit "A". Said lift station and force main were constructed in accordance to the design and specification standards of the District. The Lift Station has a capacity of approximately 210 EDUs

SECTION 2. COST OF DESIGN AND CONSTRUCTION OF LIFT STATION

The entire cost of the design, construction and installation of said lift station line has been paid by the Owner with certain advances by the District. The Owner has submitted a complete statement of the actual in place cost of construction and installation of the lift station and force main and shall, upon request by the District, supply the original of any and all billings, invoices or other data or material upon which this statement of cost is based.

SECTION 3. DEDICATION OF LIFT STATION

The Owner agrees that the lift station and force main is hereby dedicated to the District for public use and is the sole property of the District, and the Owner shall have no rights whatsoever therein.

SECTION 4. SPECIAL CONNECTION FEE

The District agrees to impose a Special Connection Fee in the amount of \$2,490.72, plus 2% simple interest per year, (approximately 0.1667% per Month, for each parcel that connects its lateral into the sewer main lines tributary to the lift station and force main. Interest charges shall be computed monthly from the effective date of the Special Connection fee to the time this Special Connection Fee is collected.

Due to their original participation in the funding of this new sewer line, the following APN's shall be exempt from this Special Connection Fee as follows:

Slater Parcels, Parcel Map 28834:

- Parcel 3: 2.46 AC - 7 EDU's
- Parcel 4: 2.26 AC - 7 EDU's
- Parcel 5: 2.18 AC - 7 EDU's
- Parcel 6: 2.89 AC - 9 EDU's

Frank Smith Parcel: 283-060-009: 15.65 AC Approximately 2 EDU per AC or 31 EDUs
Sewer Easement provided in lieu of Special Connection Fees

Temescal Valley Water District (Leroy Road and others) – 47 EDU's

SECTION 5. REIMBURSEMENT TO OWNER

The District has paid certain advances to Owner in the amount of \$117,063.84 as listed below. Based upon the Special Connection Fees collected, the Maximum Amount the Owner may be reimbursed is \$254,054.24 in principal payments, plus all applicable interest as described in Section 4, which is approximately 48% of the total allowable lift station and force main cost of \$523,052.

All Special Connection Fees collected in accordance with this Agreement shall be distributed to the Owner or their successor each July. Said reimbursement payments shall continue until the Owner has been reimbursed the Maximum Amount as outlined above, or until the expiration of this Agreement as outlined in Section 9, whichever may come first.

Nothing in this Agreement limits the District's power to regulate connections to its sewer system in any way. The District does not guarantee the Owner will recover all, or any part of, the cost of construction the lift station and force main. The potential number of parcels subject to the Special Connection Fee described in this Agreement is only an estimate based on current assumptions, and the District reserves the right, in its sole discretion, and without liability under this Resolution, to require or authorize connections to the District's sewer system other than in accordance with this Resolution. Nothing in this Agreement obligates the District to charge a Special Connection Fee on account of any property which does not connect to the sewer main lines tributary to the lift station and force main.

Total Agreed upon Lift Station Costs	\$523,052.00
District Pre-Purchased Connection Fees 47 EDUs	<\$117,063.84>
Slater Parcels 30 EDUs	<\$74,721.60>
Frank Smith 31 EDUs	<\$77,212.32>
Maximum Amount to Owner (Section 5)	\$254,054.24

SECTION 6. NOTICES

Notice required or permitted under this agreement shall be deemed sufficiently given if served in writing personally upon the party to whom it is directed, or by deposit in the United States mail, postage prepaid, certified, return receipt requested, addressed to the parties as follows:

District: General Manager
Temescal Valley Water District
22646 Temescal Canyon Road
Temescal Valley, CA 92883

Owner: Don Slater

It shall remain the sole responsibility of the Owner to notify the District, in the manner above described, of any change of address for the Owner which occurs for the duration of this agreement. The District shall not be held liable for failure to distribute any Special Connection Fee to the Owner if the Owner has not notified the District of any change of address in the manner above described.

SECTION 7. ASSIGNMENT

This Agreement or any interest therein or any moneys due or to become due thereunder shall not be assigned, hypothecated or otherwise disposed of without the prior written consent of the District.

SECTION 8. EFFECTIVE DATE

This Agreement shall become effective only upon the effective date of a Resolution, adopted by the District Board of Directors, providing for the imposition and collection of the Special Connection Fees herein provided for.

SECTION 9. TERMINATION OF AGREEMENT

This Agreement shall automatically terminate 20 years from the effective date and the DISTRICT SHALL THEREAFTER BE UNDER NO OBLIGATION TO COLLECT ANY CONNECTION FEES FOR REIMBURSEMENT TO THE OWNER as herein provided for.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the date first above mentioned.

District



General Manager, TVWD

Owner



Don Slater

EXHIBIT "A"

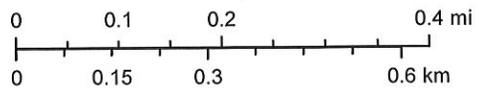
ArcGIS Web Map



March 8, 2018

1:11,718

District Parcels



Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community

CAPROCK - KNABE BUILDING FEE SHEET Dated 9/11/2018

Based on building size/use and Owner requested meter size

Owner Requested Irrigation Water 2" Meter, 160 gpm rated
 Owner Requested Domestic Water 2" meter, 160 gpm rated

WATER METER SIZING AND COST

Meter Size	Flow Rating GPM	Factor	Domestic	Irrigation
			\$ 8,866	\$ 7,587
1"	50	2.5	\$ 22,165	\$ 18,968
1.5"	100	5	\$ 44,330	\$ 37,935
2"	160	8	\$ 70,928	\$ 60,696
3"	350	17.5	\$ 155,155	
4"	630	31	\$ 274,846	
SUBTOTAL WATER CAPACITY FEES			\$ 131,624	

2" Meter Cost	\$1,000
2" Meter Cost	\$1,000

SUBTOTAL METER COST \$2,000

TOTAL WATER FEES DUE \$ 133,624

SEWER COST

ACTUAL	FACTOR	Gallons Per Day
136,000 Mixed Light Industrial	25gal/1000sf	3,400
3,000 Internal Office	60gal/1000sf	180
Total GPD		3,580
EDUs @ 260 gpd/EDU		13.77

SEWER CAPACITY FEES DUE at \$7,197 per EDU \$ 99,097.15

SEWER LIFT STATION REIMBURSEMENT FEES \$2,490.72 Per EDU \$ 34,295.30

TOTAL SEWER FEES DUE \$ 133,392.45

TOTAL FEES DUE \$ 267,016.45

Paid To Date \$ 224,687.95

FEES DUE \$ 42,328.50

MEMORANDUM

DATE: November 15, 2018

TO: Board of Directors
Temescal Valley Water District

FROM: Office Manager

SUBJECT: **TVWD Employee Handbook**

BACKGROUND

The Employee Handbook was originally created back in 2001 and at that time a survey of surrounding Districts was taken to ascertain what benefits were being provided to employees. It was determined they observed between 10-14 Holiday's each year. Staff proposed to increase our Holiday's from eight (8) to eleven (11), however it has remained at eight (8) since inception.

Approximately two months ago we conducted a new survey of neighboring Districts that concluded the same data as in 2001 (see attached).

Being a small District when a Federal Holiday is observed at local schools our staff is forced to either find daycare or take time off, that makes scheduling difficult.

The pages attached show the current Handbook, as well as the proposed changes immediately following.

FISCAL IMPACT

RECOMMENDATION

It is recommended that the Board of Directors:

1. Authorize the changes to the Classifications of Employment on Pages 5-6.
2. Authorize the changes to Work Schedules on Page 7.
3. Authorize the changes to Holidays on Page 42.
4. Authorize the changes to California Public Employee's Retirement System (CalPERS) on Page 46.
5. Authorize the changes to Notice To Employees on Page 49.
6. Authorize the changes to Exhibit A on Page 50.

Respectfully submitted,

Allison Harnden
Office Manager

TEMESCAL VALLEY WATER DISTRICT

Employee Handbook

Classifications of Employment

In order to determine eligibility for benefits, TEMESCAL VALLEY WATER DISTRICT has established the following employment categories:

Probationary Period. All new employees shall serve a probationary period of 90 calendar days commencing with their first day of employment. During this period, both TEMESCAL VALLEY WATER DISTRICT and employee will have an opportunity to decide whether future employment with the District is appropriate. TVWD can extend the duration of the probationary period one or more times if, in its sole and absolute discretion, it determines that such an extension is appropriate. The employment relationship can be terminated by the employee or TVWD at any time during or after the probationary period, at-will, either with or without cause. An employee who successfully completes the probationary period will be notified that he or she has become a regular full-time or a regular part-time employee of TVWD, but the employee's at-will status will not change.

Regular Full-Time Employees. An employee who has successfully completed the Probationary Period and who works at least forty (40) hours per week is considered a full-time employee. Unless otherwise specified, the benefits described under "Introduction to Benefits" of this handbook apply only to full-time employees. All other policies described in this handbook and communicated by TEMESCAL VALLEY WATER DISTRICT apply to all employees, with the exception of certain wage, salary and time off limitations applying only to "non-exempt" (see the definition that follows) employees. If you are unsure of which job classification your position fits into, please ask your manager.

Since all employees are hired for an unspecified duration, this classification does not guarantee employment for any specific length of time. Employment is at the mutual consent of the employee and the District. Accordingly, either the employee or the District can terminate the employment relationship at will, at any time, with or without cause or advance notice. No one in the organization, other than the Board of Directors, has the authority or legal ability to modify the at-will nature of the employment relationship. The Board of Directors can do so only if it is done specifically and unequivocally in a written agreement that is signed both by the Board of Directors and the employee. This represents an integrated agreement with respect to the at-will nature of the employment relationship.

Regular Part-Time Employees. An employee who has successfully completed the Probationary Period and who works less than thirty-two (32) hours per week is considered a part-time employee. If you are a part-time employee, please understand that you are not eligible for benefits described under "Introduction to Benefits" of this handbook, except as granted on occasion, or as required by the California Public Employee's Retirement System (CalPERS), or to the extent required by provision of state and federal laws.

Since all employees are hired for an unspecified duration, this classification does not guarantee employment for any specific length of time. Employment is at the mutual consent of the employee and the District. Accordingly, either the employee or the District can terminate the employment relationship at will, at any time, with or without cause or advance notice. No one in the organization, other than the Board of Directors, has the authority or legal ability to modify the at-will nature of the employment relationship. The Board of Directors can do so only if it is done specifically and unequivocally in a written agreement that is signed both by the Board of Directors and the employee. This represents an integrated agreement with respect to the at-will nature of the employment relationship.

Inactive Status. Employees who are on any type of leave of absence, work-related or non-work-related, that exceeds 4 months may be placed on inactive status. During that time the employee is on inactive status, vacation and sick leave will not be earned.

TEMESCAL VALLEY WATER DISTRICT

Employee Handbook

Exempt Employee. Exempt employees are employees who, because of their positional duties and responsibilities and level of decision making authority, are exempt from the overtime provisions of the Fair Labor Standards Act (FLSA). An exempt employee is paid an established monthly or annual salary and is expected to fulfill the duties of their positions regardless of hours worked.

Non-Exempt Employee. Non-exempt employees are employees who, because of the type of duties performed, the usual level of decision making authority, and the method of compensation, are subject to all provisions of the Fair Labor Standards Act (FLSA) including the payment of overtime. Non-exempt employees are required to account for hours and fractional hours worked. Non-exempt employees shall be compensated for all overtime hours worked at the premium (time-and-one-half) rate of pay.

FLSA - The Fair Labor Standards Act of 1938 is a U.S. federal law governing minimum wage, overtime pay, child labor, and recordkeeping requirements.

Employment at Will

TEMESCAL VALLEY WATER DISTRICT certainly hopes that it and every employee will find the employment relationship satisfying and rewarding in all respects. At the same time, it recognizes employment is at the mutual consent of the employee and the District. Accordingly, either the employee or the District can terminate the employment relationship at will, at any time, with or without cause or advance notice. No one in the organization, other than the Board of Directors, has the authority or legal ability to modify the at-will nature of the employment relationship. The Board of Directors can do so only if it is done specifically and unequivocally in a written agreement that is signed both by the Board of Directors and the employee. This represents an integrated agreement with respect to the at-will nature of the employment relationship.

Anniversary Date

The first day you report to work is your "official" anniversary date. Your anniversary date is used to compute various conditions and benefits described in this handbook.

TEMESCAL VALLEY WATER DISTRICT

Employee Handbook

Work Schedules

Our regular office operating hours are 7:30 AM to 5:00 PM, Monday through Thursday and 7:30 AM to 4:00 PM Friday and apply to those working in the District Office. Contract management personnel will have a varied schedule and will be informed of their hours, which may be modified from time to time.

Traditional Work Schedule. Monday through Thursday 8:00 AM to 5:00 PM, Friday 7:30 AM to 4:00 PM. Your particular hours of work and the scheduling of your lunch period will be determined and assigned by your manager. You are required to take a one (1) hour unpaid lunch period Monday through Thursday and Friday a one-half (1/2) hour unpaid lunch period. Please understand that you may not “work through lunch” in order to arrive late or to leave early or to work extra time.

Alternative Work Schedule 9-80 (see details below). Monday through Thursday 7:30 AM to 5:00 PM, Friday 7:30 AM to 4:00 PM. Your particular hours of work and the scheduling of your lunch period will be determined and assigned by your manager. You are required to take a one-half (1/2) hour unpaid lunch period. Please understand that you may not “work through lunch” in order to arrive late or to leave early or to work extra time.

Alternative Work Schedule

Summary. The 9-80 workweek redefines the workday and workweek to allow employees to have every other Friday off. Specifically, employees work 9-hour days (Monday – Thursday) and 8-hour days every other Friday. **Except for unforeseen emergencies, employees are expected to schedule personal business during off days.**

Eligibility. All exempt and non-exempt full-time employees are eligible to participate in the 9-80 alternative work schedule. Employees must elect to participate in the program.

Basic Work Requirement. The basic work requirement for a 9-80 work schedule is the number of hours, excluding overtime hours, an employee is required to work or to account for by taking leave or otherwise:

- Exempt and non-exempt full-time employees are scheduled to work 80 hours in a biweekly period.
- Personnel can expect in some instances to have to work on their scheduled day off due to emergency circumstances.

Reservation of Rights. Management reserves the right to interpret, modify, or revise this program, in whole or in part as necessary.

TEMESCAL VALLEY WATER DISTRICT

Employee Handbook

Holidays

TEMESCAL VALLEY WATER DISTRICT observes eight (8) paid holidays as listed below. Employee's eligibility for holiday pay is effective as of date of hire. Only regular full-time employees are eligible for holiday pay.

Recognized Holidays

New Year's Day

Memorial Day

Independence Day

Labor Day

Thanksgiving Day

Friday after Thanksgiving

Christmas Day

1 Floating Day

Whenever a holiday falls on a Saturday or Sunday, it is usually observed on the preceding Friday or the following Monday. However, TVWD may close on another day. Holiday observance may be announced in advance.

To compensate for the various dates employees may select as their floating holiday, TVWD has elected to add eight (8) hours to each regular full-time employee's vacation time at the beginning of each fiscal year. The District's fiscal year runs from July-June.

Alternative Work Schedule Holiday Addendum. If an employee is scheduled for a Friday off that falls on a TVWD holiday; the employee may elect to switch the day off to Thursday or Monday instead. The day off must be approved by their manager in advance as to not interfere with workplace performance.

TEMESCAL VALLEY WATER DISTRICT

Employee Handbook

California Public Employee's Retirement System (CALPERS)

TEMESCAL VALLEY WATER DISTRICT offers employees the benefit of a Defined Contribution Retirement Plan, California Public Employee Retirement System (CalPERS) this plan provides employees and their beneficiaries with additional security for retirement.

The District entered into the MISCELLANEOUS PLAN, 2% @ 60 FULL FORMULA, 0% PRIOR SERVICE CalPERS plan on March 23, 2010. See Exhibit A for the plan description, including a summary of the major provisions and benefits.

Contributions to CalPERS plan:

The District shall provide for discretionary contributions in each calendar year to the CalPERS total plan costs for all employees who are at least 18 years old and have performed service for the District for at least one year. This employee contribution plan does not include:

- (1) employees covered under a collective bargaining agreement;
- (2) certain nonresident aliens; or
- (3) employees whose total compensation during the year is less than \$450*

The District will make mandatory contributions on behalf of each eligible current employee to CalPERS at the EMPLOYER rate determined by CalPERS on an annual basis. It is mandatory that all current employees' contribute a minimum of three percent (3%) to a maximum of seven percent (7%) of their gross wages toward the EMPLOYEE portion as determined by CalPERS and the District. The District has the right but not the obligation to pay the EMPLOYEES portion of the CalPERS contribution as determined from time to time by Board action. All contributions are limited to Internal Revenue Code (IRC) Section 401(A) (17).

It is mandatory that all new full-time employees and part time employees who work more than twenty (20) hours per week are eligible for CalPERS from the first day of employment with the District. A new employee will be responsible for the entire contribution to CalPERS for the first year of employment or as negotiated by the District.

**amount is updated annually by the IRS Code Section 408 (k)*

TEMESCAL VALLEY WATER DISTRICT

Employee Handbook

NOTICE TO EMPLOYEES

The policies in this handbook are to be considered as guidelines. TEMESCAL VALLEY WATER DISTRICT, at its option, may change, delete, suspend or discontinue any part or parts of the policies in this handbook at any time without prior notice. Any such action shall apply to existing as well as future employees. Employees may not accrue eligibility for monetary benefits that they have not earned through actual time spent at work. Employees shall not accrue eligibility for any benefits, rights, or privileges beyond the last day worked. No one other than the General Manager or Board of Directors of the District may alter or modify any of the policies in this handbook. No statement or promise by a supervisor, manager, or other employee may be interpreted as a change in policy nor will it constitute an agreement between TVWD and an employee.

All employment at TEMESCAL VALLEY WATER DISTRICT is "AT WILL". No one will be denied opportunities or benefits based on age, sex, sexual orientation, color, race, creed, national origin, religious persuasion, marital status, political belief, or disability that does not prohibit performance of essential job functions, nor will anyone receive special treatment for those reasons.

Should any provision in this Employee Handbook be found unenforceable and/or invalid, such finding does not invalidate the entire Employee Handbook, but only the subject provision.

This handbook replaces (supersedes) all other previous handbooks, letters of employment or other agreements for TEMESCAL VALLEY WATER DISTRICT as of July 1, 2015.

TEMESCAL VALLEY WATER DISTRICT

Employee Handbook

EXHIBIT A

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Actuarial and Employer Services Branch
Public Agency Contract Services
(888) CalPERS (225-7377)

SUMMARY OF MAJOR PROVISIONS

2% @ 60 Formula (Section 21353)
Local Miscellaneous Members

SERVICE RETIREMENT

To be eligible for service retirement, a member must be at least age 50 and have five years of CalPERS credited service. There is no compulsory retirement age.

The monthly retirement allowance is determined by age at retirement, years of service credit and final compensation. The basic benefit is 2% of final compensation for each year of credited service upon retirement at age 60. If retirement is earlier than age 60, the percentage of final compensation decreases for each quarter year of attained age to 1.092% at age 50. If retirement is deferred beyond age 60, the percentage of final compensation increases for each quarter year of attained age to 2.418% at age 63.

Final compensation is the average monthly pay rate during the last consecutive 36 months of employment, or 12 months if provided by the employer's contract, unless the member designates a different period of 36 or 12 consecutive months when the average pay rate was higher.

DISABILITY RETIREMENT

Members substantially incapacitated from performing the usual duties for the position for his/her current employer, and from performing the usual duties of the position for other CalPERS covered employers (including State agencies, schools, and local public agencies), and where similar positions with these other employers with reasonably comparable in pay, benefits, and promotional opportunities are not available, would be eligible for disability retirement provided they have at least five years of service credit. The monthly retirement allowance is 1.8% of final compensation for each year of service. The maximum percentage for members who have between 10.000 and 18.518 years of service credit is one-third of their final compensation. If the member is eligible for service retirement the member will receive the highest allowance payable, service or disability. If provided by the employer's contract, the benefit would be a minimum of 30% of final compensation for the first five years of service credit, plus 1% for each additional year of service to a maximum benefit of 50% of final compensation.

INDUSTRIAL DISABILITY RETIREMENT

If provided by the employer's contract, members permanently incapacitated from performing their duties, as defined above under Disability Retirement, and the disability is a result of a job-related injury or illness may receive an Industrial Disability Retirement benefit equal to 50% of their final compensation. If provided in the employer's contract and the member is totally disabled, the disability retirement allowance would equal 75% of final compensation in lieu of the disability retirement allowance otherwise provided. If the member is eligible for service retirement, the service retirement allowance is payable. The total allowance cannot exceed 90% of final compensation.

PRE-RETIREMENT DEATH BENEFITS

Basic Death Benefit: This benefit is a refund of the member's contributions plus interest and up to six months' pay (one month's salary rate for each year of current service to a maximum of six months).

PERS-CON 44 (Rev. 2/05)

TEMESCAL VALLEY WATER DISTRICT

Employee Handbook

Classifications of Employment

In order to determine eligibility for benefits, TEMESCAL VALLEY WATER DISTRICT has established the following employment categories:

Probationary Period. All new employees shall serve a probationary period of 90 calendar days commencing with their first day of employment. During this period, both TEMESCAL VALLEY WATER DISTRICT and employee will have an opportunity to decide whether future employment with the District is appropriate. TVWD can extend the duration of the probationary period one or more times if, in its sole and absolute discretion, it determines that such an extension is appropriate. The employment relationship can be terminated by the employee or TVWD at any time during or after the probationary period, at-will, either with or without cause. An employee who successfully completes the probationary period will be notified that he or she has become a regular full-time or a regular part-time employee of TVWD, but the employee's at-will status will not change.

Regular Full-Time Employees. An employee who has successfully completed the Probationary Period and who works at least forty (40) hours per week, **or (80) hours in two weeks** is considered a full-time employee. Unless otherwise specified, the benefits described under "Introduction to Benefits" of this handbook apply only to full-time employees. All other policies described in this handbook and communicated by TEMESCAL VALLEY WATER DISTRICT apply to all employees, with the exception of certain wage, salary and time off limitations applying only to "non-exempt" (see the definition that follows) employees. If you are unsure of which job classification your position fits into, please ask your manager.

Since all employees are hired for an unspecified duration, this classification does not guarantee employment for any specific length of time. Employment is at the mutual consent of the employee and the District. Accordingly, either the employee or the District can terminate the employment relationship at will, at any time, with or without cause or advance notice. No one in the organization, other than the Board of Directors, has the authority or legal ability to modify the at-will nature of the employment relationship. The Board of Directors can do so only if it is done specifically and unequivocally in a written agreement that is signed both by the Board of Directors and the employee. This represents an integrated agreement with respect to the at-will nature of the employment relationship.

Regular Part-Time Employees. An employee who has successfully completed the Probationary Period and who works less than thirty-two (32) hours per week is considered a part-time employee. If you are a part-time employee, please understand that you are not eligible for benefits described under "Introduction to Benefits" of this handbook, except as granted on occasion, or as required by the California Public Employee's Retirement System (CalPERS), or to the extent required by provision of state and federal laws.

Since all employees are hired for an unspecified duration, this classification does not guarantee employment for any specific length of time. Employment is at the mutual consent of the employee and the District. Accordingly, either the employee or the District can terminate the employment relationship at will, at any time, with or without cause or advance notice. No one in the organization, other than the Board of Directors, has the authority or legal ability to modify the at-will nature of the employment relationship. The Board of Directors can do so only if it is done specifically and unequivocally in a written agreement that is signed both by the Board of Directors and the employee. This represents an integrated agreement with respect to the at-will nature of the employment relationship.

Inactive Status. Employees who are on any type of leave of absence, work-related or non-work-related, that exceeds 4 months may be placed on inactive status. During that time the employee is on inactive status, vacation and sick leave will not be earned.

TEMESCAL VALLEY WATER DISTRICT

Employee Handbook

Exempt Employee. Exempt employees are employees who, because of their positional duties and responsibilities and level of decision making authority, are exempt from the overtime provisions of the Fair Labor Standards Act (FLSA). An exempt employee is paid an established monthly or annual salary and is expected to fulfill the duties of their positions regardless of hours worked.

Non-Exempt Employee. Non-exempt employees are employees who, because of the type of duties performed, the usual level of decision making authority, and the method of compensation, are subject to all provisions of the Fair Labor Standards Act (FLSA) including the payment of overtime. Non-exempt employees are required to account for hours and fractional hours worked. Non-exempt employees shall be compensated for all overtime hours worked at the **premium rate of pay**.

FLSA - The Fair Labor Standards Act of 1938 is a U.S. federal law governing minimum wage, overtime pay, child labor, and recordkeeping requirements.

Employment at Will

TEMESCAL VALLEY WATER DISTRICT certainly hopes that it and every employee will find the employment relationship satisfying and rewarding in all respects. At the same time, it recognizes employment is at the mutual consent of the employee and the District. Accordingly, either the employee or the District can terminate the employment relationship at will, at any time, with or without cause or advance notice. No one in the organization, other than the Board of Directors, has the authority or legal ability to modify the at-will nature of the employment relationship. The Board of Directors can do so only if it is done specifically and unequivocally in a written agreement that is signed both by the Board of Directors and the employee. This represents an integrated agreement with respect to the at-will nature of the employment relationship.

Anniversary Date

The first day you report to work is your "official" anniversary date. Your anniversary date is used to compute various conditions and benefits described in this handbook.

TEMESCAL VALLEY WATER DISTRICT

Employee Handbook

Work Schedules

Our regular office operating hours are 7:30 AM to 5:00 PM, Monday through Thursday and 7:30 AM to 4:00 PM Friday and apply to those working in the District Office.

Traditional Work Schedule. Monday through Thursday 8:00 AM to 5:00 PM, Friday 7:30 AM to 4:00 PM. Your particular hours of work and the scheduling of your lunch period will be determined and assigned by your manager. You are required to take a one (1) hour unpaid lunch period Monday through Thursday and Friday a one-half (1/2) hour unpaid lunch period. Please understand that you may not “work through lunch” in order to arrive late or to leave early or to work extra time.

Alternative Work Schedule 9-80 (see details below). Monday through Thursday 7:30 AM to 5:00 PM, Friday 7:30 AM to 4:00 PM. Your particular hours of work and the scheduling of your lunch period will be determined and assigned by your manager. You are required to take a one-half (1/2) hour unpaid lunch period. Please understand that you may not “work through lunch” in order to arrive late or to leave early or to work extra time.

Alternative Work Schedule

Summary. The 9-80 workweek redefines the workday and workweek to allow employees to have every other Friday off. Specifically, employees work 9-hour days (Monday – Thursday) and 8-hour days every other Friday. **Except for unforeseen emergencies, employees are expected to schedule personal business during off days.**

Eligibility. All exempt and non-exempt full-time employees are eligible to participate in the 9-80 alternative work schedule. Employees must elect to participate in the program.

Basic Work Requirement. The basic work requirement for a 9-80 work schedule is the number of hours, excluding overtime hours, an employee is required to work or to account for by taking leave or otherwise:

- Exempt and non-exempt full-time employees are scheduled to work 80 hours in a biweekly period.
- Personnel can expect in some instances to have to work on their scheduled day off due to emergency circumstances.

Reservation of Rights. Management reserves the right to interpret, modify, or revise this program, in whole or in part as necessary.

TEMESCAL VALLEY WATER DISTRICT

Employee Handbook

Holidays

TEMESCAL VALLEY WATER DISTRICT observes **twelve (12)** paid holidays as listed below. Employee's eligibility for holiday pay is effective as of date of hire. Only regular full-time employees are eligible for holiday pay.

Recognized Holidays

New Year's Day

Martin Luther King Jr. Day

President's Day

Memorial Day

Independence Day

Labor Day

Columbus Day

Veteran's Day

Thanksgiving Day

Friday after Thanksgiving

Christmas Day

1 Floating Day

Whenever a holiday falls on a Saturday or Sunday, it is usually observed on the preceding Friday or the following Monday. However, TVWD may close on another day. Holiday observance may be announced in advance.

Alternative Work Schedule Holiday Addendum. If an employee is scheduled for a Friday off that falls on a TVWD holiday; the employee may elect to switch the day off to Thursday or Monday instead. The day off must be approved by their manager in advance as to not interfere with workplace performance.

TEMESCAL VALLEY WATER DISTRICT

Employee Handbook

California Public Employee's Retirement System (CalPERS)

TEMESCAL VALLEY WATER DISTRICT offers employees the benefit of a Defined Contribution Retirement Plan, California Public Employee Retirement System (CalPERS) this plan provides employees and their beneficiaries with additional security for retirement.

The District entered into the MISCELLANEOUS PLAN, 2% @ 60 FULL FORMULA, 0% PRIOR SERVICE CalPERS plan on April 3, 2010. See Exhibit A for the plan description, including a summary of the major provisions and benefits.

For employees hired after January 1, 2013 the Public Employees' Pension Reform Act (PEPRA) implemented the new benefit formula 2% @ Age 62 and the final compensation period of 3 years.

Contributions to CalPERS plan:

The District shall provide for discretionary contributions in each calendar year to the CalPERS total plan costs for all employees who are at least 18 years old and have performed service for the District for at least one year. This employee contribution plan does not include:

- (1) employees covered under a collective bargaining agreement;
- (2) certain nonresident aliens; or
- (3) employees whose total compensation during the year is less than \$450*

The District will make mandatory contributions on behalf of each eligible current employee to CalPERS at the EMPLOYER rate determined by CalPERS on an annual basis. It is mandatory that all current employees contribute a minimum of three percent (3%) to a maximum of seven percent (7%), or six and a quarter percent (6.25%) for PEPRA employees hired after January 1, 2013 of their gross wages toward the EMPLOYEE portion as determined by CalPERS and the District. The District has the right but not the obligation to pay the EMPLOYEES portion of the CalPERS contribution as determined from time to time by Board action. All contributions are limited to Internal Revenue Code (IRC) Section 401(A) (17).

It is mandatory that all new full-time employees and part time employees who work more than twenty (20) hours per week are eligible for CalPERS from the first day of employment with the District. A new employee will be responsible for the entire contribution to CalPERS for the first year of employment or as negotiated by the District.

**amount is updated annually by the IRS Code Section 408 (k)*

TEMESCAL VALLEY WATER DISTRICT

Employee Handbook

NOTICE TO EMPLOYEES

The policies in this handbook are to be considered as guidelines. TEMESCAL VALLEY WATER DISTRICT, at its option, may change, delete, suspend or discontinue any part or parts of the policies in this handbook at any time without prior notice. Any such action shall apply to existing as well as future employees. Employees may not accrue eligibility for monetary benefits that they have not earned through actual time spent at work. Employees shall not accrue eligibility for any benefits, rights, or privileges beyond the last day worked. No one other than the General Manager or Board of Directors of the District may alter or modify any of the policies in this handbook. No statement or promise by a supervisor, manager, or other employee may be interpreted as a change in policy nor will it constitute an agreement between TVWD and an employee.

All employment at TEMESCAL VALLEY WATER DISTRICT is "AT WILL". No one will be denied opportunities or benefits based on age, sex, sexual orientation, color, race, creed, national origin, religious persuasion, marital status, political belief, or disability that does not prohibit performance of essential job functions, nor will anyone receive special treatment for those reasons.

Should any provision in this Employee Handbook be found unenforceable and/or invalid, such finding does not invalidate the entire Employee Handbook, but only the subject provision.

This handbook replaces (supersedes) all other previous handbooks, letters of employment or other agreements for TEMESCAL VALLEY WATER DISTRICT as of October 23, 2018.

TEMESCAL VALLEY WATER DISTRICT

Employee Handbook

EXHIBIT A

(For employees hired prior to January 1, 2013)

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Actuarial and Employer Services Branch
Public Agency Contract Services
(888) CalPERS (225-7377)

SUMMARY OF MAJOR PROVISIONS

2% @ 60 Formula (Section 21353)
Local Miscellaneous Members

SERVICE RETIREMENT

To be eligible for service retirement, a member must be at least age 50 and have five years of CalPERS credited service. There is no compulsory retirement age.

The monthly retirement allowance is determined by age at retirement, years of service credit and final compensation. The basic benefit is 2% of final compensation for each year of credited service upon retirement at age 60. If retirement is earlier than age 60, the percentage of final compensation decreases for each quarter year of attained age to 1.092% at age 50. If retirement is deferred beyond age 60, the percentage of final compensation increases for each quarter year of attained age to 2.418% at age 63.

Final compensation is the average monthly pay rate during the last consecutive 36 months of employment, or 12 months if provided by the employer's contract, unless the member designates a different period of 36 or 12 consecutive months when the average pay rate was higher.

DISABILITY RETIREMENT

Members substantially incapacitated from performing the usual duties for the position for his/her current employer, and from performing the usual duties of the position for other CalPERS covered employers (including State agencies, schools, and local public agencies), and where similar positions with these other employers with reasonably comparable in pay, benefits, and promotional opportunities are not available, would be eligible for disability retirement provided they have at least five years of service credit. The monthly retirement allowance is 1.8% of final compensation for each year of service. The maximum percentage for members who have between 10.000 and 18.518 years of service credit is one-third of their final compensation. If the member is eligible for service retirement the member will receive the highest allowance payable, service or disability. If provided by the employer's contract, the benefit would be a minimum of 30% of final compensation for the first five years of service credit, plus 1% for each additional year of service to a maximum benefit of 50% of final compensation.

INDUSTRIAL DISABILITY RETIREMENT

If provided by the employer's contract, members permanently incapacitated from performing their duties, as defined above under Disability Retirement, and the disability is a result of a job-related injury or illness may receive an Industrial Disability Retirement benefit equal to 50% of their final compensation. If provided in the employer's contract and the member is totally disabled, the disability retirement allowance would equal 75% of final compensation in lieu of the disability retirement allowance otherwise provided. If the member is eligible for service retirement, the service retirement allowance is payable. The total allowance cannot exceed 90% of final compensation.

PRE-RETIREMENT DEATH BENEFITS

Basic Death Benefit: This benefit is a refund of the member's contributions plus interest and up to six months' pay (one month's salary rate for each year of current service to a maximum of six months).

PERS-CON 44 (Rev. 2/05)

TEMESCAL VALLEY WATER DISTRICT
HOLIDAY SCHEDULE

DATE	HOLIDAY	TVWD-NEW	TVWD	CORONA	EVMWD	EASTERN	WESTERN
1-Jan	NEW YEARS	X	X	X	X	X	X
15-Jan	MARTIN LUTHER KING	X		X	X	X	X
19-Feb	PRESIDENT'S DAY	X		X	X	X	X
30-Mar	GOOD FRIDAY						
28-May	MEMORIAL DAY	X	X	X	X	X	X
4-Jul	INDEPENDENCE DAY	X	X	X	X	X	X
3-Sep	LABOR DAY	X	X	X	X	X	X
8-Oct	COLUMBUS DAY	X			X		
11-Nov	VETERANS DAY	X		X	X	X	X
22-Nov	THANKS GIVING	X	X	X	X	X	X
23-Nov	DAY AFTER THANKSGIVING	X	X	X	X	X	X
24-Dec	CHRISTMAS EVE			X			
25-Dec	CHRISTMAS	X	X	X	X	X	X
31-Dec	NEW YEARS EVE			X			
ANY TIME	FLOATER	X	X		X	2X	
TOTAL		12	8	12	12	12	10

X = CURRENT HOLIDAYS

X = HOLIDAYS ADDED

November 15, 2018

Board of Directors
Temescal Valley Water District

Re: Water and Sewer Operations – October 2018

Dear Board Members:

Temescal Valley Water District operations personnel perform the following tasks on a regular and routine basis:

- Managed 262.37 acre-feet of water through system.
- Collected monthly potable water samples. We are now collecting four samples per week as required by the State Water Resources Control Board, Division of Drinking Water. Collected monthly and weekly wastewater samples as required by Regional Water Quality Control Board.
- Submitted monthly report to the Regional Water Quality Control Board for: Temescal Valley Wastewater Reclamation Facility
- Submitted monthly and quarterly reports to the State Water Resources Control Board, Division of Drinking Water for: TVWD distribution system monitoring.
- Read 5414 water meters.
- 17 shut-offs.
- Responded 109 service calls.
- Installed 20 meters for the various developers
- Responded to 95 USA Dig Alerts to mark District underground utilities.

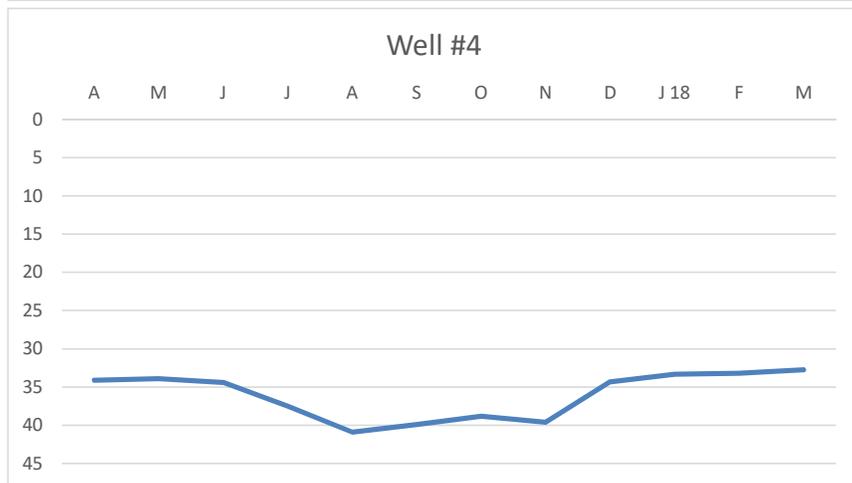
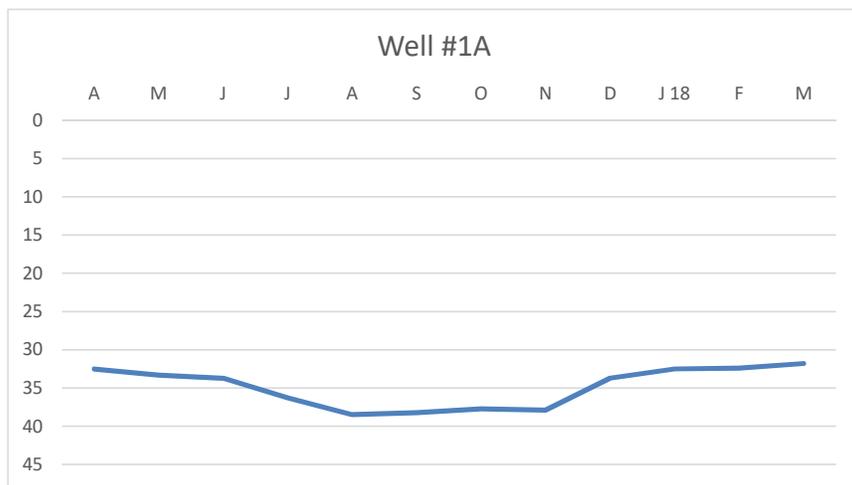
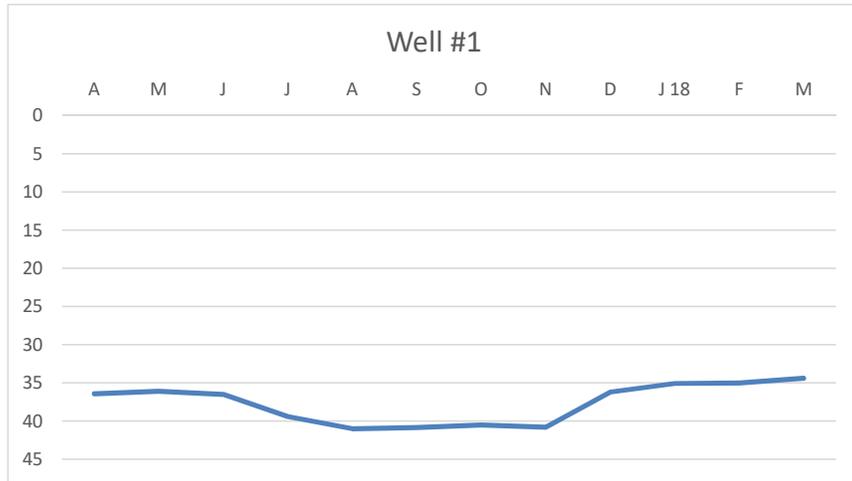
In addition to the above regular and routine tasks we also performed the following operational tasks.

- Maintained aesthetic appearance of all District facilities.
- TVWD staff is on schedule with required UCMR4 sampling for the water distribution system.

- TVWD staff working on cross connection compliance.
- 3 loads of biosolids were hauled off this month.
- Dawson reclaimed reservoir was inspected by Dive/Corr, Inc.
- TVWD staff replaced two compressor pump motors at Wastewater Treatment Facility.
- Contractor adjusted rake arm and replaced two connector pins and bushings.
- TVWD staff repaired the flow meter for Well TP-2 at the Wastewater Treatment Facility.

Sincerely,

Paul Bishop, Superintendent



TEMESCAL VALLEY WATER DISTRICT
ENGINEERING DEPARTMENT

DISTRICT ENGINEER'S MONTHLY REPORT

Date: November 14, 2018
To: Jeff Pape, General Manager
From: Justin Scheidel, District Engineer
Subject: Engineering Activities Update for the Month of November 2018

Following is a summary of the status of current engineering projects:

PLAN CHECKING & DEVELOPER RELATED PROJECTS

Terramor Water, Sewer, & RW Improvements In-Tract Laterals (36643, 36826-1, 10476, 10477 and 10478) – Engineering review previously completed, currently under construction.

Terramor Water, Sewer, & RW Improvements In-Tract Laterals (Tract 36826-2/3/4, 10555 Phase 7/8/9) – 1st plan check completed, comments returned to the developer for incorporation

Terramor Reservoirs Project (1401.1610) – Engineering review previously completed, currently under construction.

Tract 33688 Water, Sewer and Recycled Plan Check (10555, Phase 6) – 1st plan check completed, comments returned to the developer for incorporation.

Warm Spring Drive (10555, Phase 10) - 1st plan check completed for private residence water main extension, comments returned to the developer for incorporation.

TVWD Water Reclamation Facility Expansion (9830) – The 95% design specifications are complete and are currently under review. We are still waiting to receive the 95% design drawings from the design engineer. Public bid for this project is scheduled for January of 2019.

CAPITAL IMPROVEMENT PROJECTS

1320 Reservoir Preliminary Design Report (1401.1608): Submitted Draft Preliminary Engineering Report to the General Manager for review. Currently waiting for comments.

AS-NEEDED ENGINEERING SERVICES

General Engineering Initiated During FY 2018/19

Project 1401.1801: Potable Water Related Services for FY 2018/19: No work completed this month.

Project 1401.1802: Non-Potable Water Related Services for FY 2018/19: No work completed this month.

- Project 1401.1803: Wastewater Related Services for FY 2017/18: Development of the district engineering report.
- Project 1401.1804/5: Potable /Wastewater Mapping Updates for FY 2017/18. No work completed this month.
- Project 1401.1806/7: Potable/Wastewater Engineering Studies: No work completed this month.
- Project 1401.1808: General GIS Support: Updating of the GIS database and re-formatting as-built catalog. General support provided for updating GIS information discovered during master plan updates.
- Project 1401.1809: Sewer System Management Plan Assistance: Reviewed final version of the SSMP update and provided comments.
- Project 1401.1810: Dawson Canyon Reservoir Design: No activity this month
- Project 1401.1811: Water System Master Plan Update: Continuing updates to the master plan to reflect current system configuration with additional developments, facilities and demands.
- Project 1401.1812: Non-Potable Master Plan Update: Updating the master plan to reflect current system configuration with current customer demands.
- Project 1401.1813: Sycamore Creek Rehab Project: Coordination with contractor regarding the construction agreement and mobilization efforts.
- Project 1401.1814: Corona Service Conversion: No work completed this month.