

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER __, 2023

NEW ISSUE—BOOK-ENTRY ONLY

NO RATING

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, 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 (and original issue discount) on the Bonds described herein is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See the caption "TAX EXEMPTION" with respect to tax consequences relating to the Bonds, including with respect to the alternative minimum tax imposed on certain large corporations for tax years beginning after December 31, 2022.

\$4,595,000*

**CITY OF LAKE ELSINORE
COMMUNITY FACILITIES DISTRICT NO. 2006-4 (ROSETTA HILLS)
SPECIAL TAX BONDS, SERIES 2024**

Dated: Delivery Date

Due: September 1, as shown on inside cover page

The City of Lake Elsinore Community Facilities District No. 2006-4 (Rosetta Hills) Special Tax Bonds, Series 2024 (the "Bonds") are being issued by City of Lake Elsinore Community Facilities District No. 2006-4 (Rosetta Hills) (the "District") to: (i) finance certain public improvements needed with respect to the development of property located within the District, including public improvements to be owned by the City and water and sewer facilities to be owned and operated by the Elsinore Valley Municipal Water District; (ii) fund a reserve account for the Bonds; and (iii) pay costs of issuance for 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) (the "Act"), and pursuant to that certain Bond Indenture, dated as of January 1, 2024 (the "Indenture"), by and between the District and Wilmington Trust, National Association, as trustee (the "Trustee").

The Bonds are payable from Net Taxes (as defined herein) derived from a certain annual Special Tax (as defined herein) to be levied on taxable parcels within the District and from certain other funds pledged under the Indenture, all as further described herein. The Special Tax is to be levied according to the rate and method of apportionment approved by the City Council of the City and the qualified electors within the District. See the caption "SOURCES OF PAYMENT FOR THE BONDS — Special Taxes" and Appendix A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

The Bonds will be issued 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 the Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein. Interest on the Bonds will be payable on each March 1 and September 1, and September 1, 2024. 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.

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

The Bonds are subject to optional redemption, special mandatory redemption and mandatory sinking fund redemption prior to maturity as set forth herein. See the caption "THE BONDS — Redemption."

Investment in the Bonds involves 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 caption "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. Certain legal matters will be passed on for the City and the District by Leibold, McClendon, & Mann, Irvine, California, City Attorney, and for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel, for the Underwriter by Kutak Rock LLP, Irvine, California, and for the Trustee by its counsel. It is anticipated that the Bonds in book-entry form will be available for delivery on or about January __, 2024.

[STIFEL LOGO]

Dated January __, 2024

* 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, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

\$4,595,000*
CITY OF LAKE ELSINORE
COMMUNITY FACILITIES DISTRICT NO. 2006-4 (ROSETTA HILLS)
SPECIAL TAX BONDS, SERIES 2024

MATURITY SCHEDULE

BASE CUSIP®† _____

\$ _____ 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>
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\$ _____ % Term Bonds due September 1, 20__ Yield: ____ % Price: ____^c CUSIP No.† _____

\$ _____ % Term Bonds due September 1, 20__ Yield: ____ % Price: ____^c CUSIP No.† _____

* Preliminary, subject to change.

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**CITY OF LAKE ELSINORE
COUNTY OF RIVERSIDE, CALIFORNIA**

CITY COUNCIL

Natasha Johnson, *Mayor*
Steve Manos, *Mayor Pro-Tem*
Robert E. Magee, *Councilmember*
Timothy J. Sheridan, *Councilmember*
Brian Tisdale, *Councilmember*

CITY ADMINISTRATORS

Jason Simpson, *City Manager*
Shannon Buckley, *Assistant City Manager*

CITY ATTORNEY

Leibold, McClendon, & Mann
Irvine, California

BOND AND DISCLOSURE COUNSEL

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

MUNICIPAL ADVISOR

Urban Futures, Inc.
Walnut Creek, California

SPECIAL TAX CONSULTANT

Spicer Consulting Group, LLC
Murrieta, California

APPRAISER

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

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

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

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

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City, the District or any other parties described herein since the date hereof. 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 hereby made to such documents on file with the City for further information in connection therewith.

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.

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 DISTRICT” and “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

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. IN EVALUATING SUCH STATEMENTS, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS.

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

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[INSERT AERIAL PHOTOGRAPH]

\$4,595,000*
CITY OF LAKE ELSINORE
COMMUNITY FACILITIES DISTRICT NO. 2006-4 (ROSETTA HILLS)
SPECIAL TAX BONDS, SERIES 2024

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the table of contents and the attached appendices (collectively, the “Official Statement”), is to provide certain information concerning the issuance by City of Lake Elsinore Community Facilities District No. 2006-4 (Rosetta Hills) (the “District”) of its Special Tax Bonds, Series 2024 in the aggregate principal amount of \$4,595,000* (the “Bonds”). The proceeds of the Bonds will be used to: (i) finance certain public improvements needed with respect to the development of property located within the District, including public improvements to be owned by the City of Lake Elsinore (the “City”) and water and sewer facilities to be owned and operated by the Elsinore Valley Municipal Water District; (ii) fund a reserve account for the Bonds; and (iii) pay costs of issuance for 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) (the “Act”), a resolution adopted on July 11, 2023, by the City Council of the City of Lake Elsinore (the “City”), acting as the legislative body of the District, and a Bond Indenture, dated as of January 1, 2024 (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 such term is defined herein) and all moneys in the Special Tax Fund (other than the Administrative Expense Account therein) as described in the Indenture.

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 have the meanings set forth in Appendix E.

The District

General. The City is located in the western portion of the County of Riverside (the “County”), California (the “State”). The District contains approximately 52.5 gross acres and approximately 31.9 net taxable acres. The District is located in the City approximately 1.5 miles northeast of Interstate 15, toward the northeastern portion of the City. The District is generally located to the north of the intersection of Rosetta Canyon Road and Elsinore Hills Road.

The property within the District is being developed by KB Home Coastal Inc., a California corporation (“KB Home”) into 178 single-family detached homes in a project being marketed as “Crimson Hills.” As of October 23, 2023, KB Home had completed and conveyed 102 homes within the District to individual homeowners. As of such date KB Home owned three model homes (none of which were in escrow), 34 homes under construction (18 of which were in escrow) and 39 finished lots. KB Home expects to complete and convey all remaining homes to be constructed in the District to individual homeowners by the end of the first quarter of 2025.

The backbone infrastructure (sewer, water, storm drains, utilities, and arterial roads) necessary to develop the property within the District has been completed. The development in the District is located in two final tract maps. The in-tract infrastructure in the southern tract (consisting of 151 homes) is substantially complete. KB Home has obtained building permits for all 151 homes in the southern tract. The in-tract

* Preliminary, subject to change.

infrastructure in the northern tract (consisting of 27 planned homes) is underway with the lots graded and street paving and utilities installation substantially complete. As of October 23, 2023, KB Home had not yet obtained building permits for the 27 planned homes in the northern tract. KB Home expects to complete the remaining in-tract improvements, including trails, landscaping, walls, and other related lot finishing costs commensurate with the timing of sales and construction of the related homes. See the captions “THE DISTRICT” and “PROPERTY OWNERSHIP AND THE DEVELOPMENT” for further information with respect to the District, KB Home and development within the District.

Formation Proceedings. The District was formed on July 25, 2006 pursuant to the Act. The Act was enacted 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 June 13, 2006, the City Council adopted Resolution No. 2006-76 (the “Resolution of Intention”), stating its intention to form the District and to authorize the levy of a special tax on the taxable property within the District, and Resolution No. 2006-77, stating its intention to incur bonded indebtedness in an aggregate principal amount not to exceed \$10,000,000 for the purpose of financing the purchase, construction, expansion or rehabilitation of certain public facilities to serve the area within the District.

Subsequent to a noticed public hearing on July 25, 2006, the City Council adopted Resolution Nos. 2006-117 and 2006-118 on July 25, 2006 (collectively the “Resolution of Formation”). The Resolution of Formation: (i) established the District; (ii) authorized the levy of a special tax (the “Special Tax”) within the District; (iii) determined the necessity to incur bonded indebtedness in an amount not to exceed \$10,000,000 within the District; and (iv) called an election within the District on the proposition of incurring bonded indebtedness, levying the Special Tax and setting an appropriations limit.

On July 25, 2006, an election was held within the District in which the property owner within the District approved the proposition authorizing the issuance of bonds in an amount not to exceed \$10,000,000. A Notice of Special Tax Lien for the District was recorded in the office of the County Recorder on August 8, 2006, as Document No. 2006-0581747.

Subsequent to the formation of the District as described above, pursuant to a petition signed by the property owner in the District, on May 12, 2020, the City Council, acting as the legislative body of the District, adopted Resolution No. 2020-47 declaring its intention to consider (i) amending the rate and method of apportionment of special tax for the District approved at the July 25, 2006 special election; (ii) changing the name of the District from “City of Lake Elsinore Community Facilities District No. 2006-4 (Tracts 30698 & 32129)” to “City of Lake Elsinore Community Facilities District No. 2006-4 (Rosetta Hills)”; (iii) expanding type of facilities authorized to be funded by the District; and (iv) amending the boundary map of the District (collectively, the “Change Proceedings”).

Subsequent to a noticed public hearing on June 23, 2020, the City Council, acting as the legislative body of the District, adopted Resolution No. 2020-64 approving an amended rate and method of apportionment of special tax for the District (the “Rate and Method”) and called an election within the District on the proposition of levying the special taxes in accordance with the Rate and Method and the other matters included within the Change Proceedings, which was approved by the property owner within the District. A copy of the Rate and Method is attached hereto as Appendix A. An Amended Notice of Special Tax Lien for the District was recorded in the office of the County Recorder on July 7, 2020, as Document No. 2020-0295531.

On July 14, 2020, the City Council adopted Ordinance No. 2020-1432 (the “Ordinance”) which authorizes the levy of a special tax pursuant to the Rate and Method approved at the June 23, 2020 election.

Sources of Payment for the Bonds

Special Taxes. As used in this Official Statement, the term “Special Tax” means the annual Special Tax which has been authorized pursuant to the Act and the Rate and Method to be levied upon taxable property within the District. See the caption “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes” and Appendix A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” See the caption “THE DISTRICT.”

Under the Indenture, the District has pledged to repay the Bonds and any Parity Bonds (as defined herein) from the Special Tax revenues remaining after the payment of certain annual Administrative Expenses of the District (the “Net Taxes”) and from other amounts in the Special Tax Fund (other than the Administrative Expense Account therein) established under the Indenture. The Special Taxes are the primary source of 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, to the limited extent described in the Indenture. See the caption “SOURCES OF PAYMENT FOR THE BONDS — Reserve Account of the Special Tax Fund.”

Foreclosure Proceeds. The District will covenant in the Indenture for the benefit of the owners of the Bonds and Parity Bonds that it will: (i) commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$5,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due; and (ii) commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied; and (iii) 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. See the caption “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales.*” There is no assurance that the property within the District can be sold for the appraised or assessed values described herein, or for a price sufficient to pay the principal of and interest on the Bonds in the event of a default in payment of Special Taxes by the current or future landowners within the District. See the caption “SPECIAL RISK FACTORS — Property Values.”

EXCEPT FOR THE NET TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY OR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES AND AMOUNTS HELD UNDER THE INDENTURE, AS MORE FULLY DESCRIBED HEREIN.

Appraisal Report

Kitty Siino & Associates, Inc. (the “Appraiser”) has conducted an Appraisal (the “Appraisal Report”) with a date of value of October 23, 2023 (the “Date of Value”) of certain land and existing improvements within the District to provide an estimate of the market value of the fee simple interest of such land and improvements. The Appraisal Report provides an estimate of the approximate market value of the “as-is” condition of the property in the District subject to the levy of Special Taxes, assuming that development of the property as currently planned will consist of 178 residential units. Based on the contingencies, assumptions and limiting conditions in the Appraisal Report, the Appraiser concluded that the market value of all of the parcels within the District subject to the Special Tax was \$72,191,092 as of the Date of Value.

The Appraisal Report is based upon a variety of assumptions and limiting conditions that are described in Appendix D. The District makes no representation as to the accuracy of the Appraisal Report or the Appraisal Supplement. See “THE DISTRICT — Appraisal Report” and “— Estimated Appraised Value-to-Lien Ratios.” There is no assurance that property within the District can be sold for the prices set forth in the Appraisal Report or that any parcel can be sold for a price sufficient to pay the Special Tax for that parcel in the event of a default in payment of Special Taxes by a property owner. See “THE DISTRICT,” “SPECIAL RISK FACTORS — Property Values” herein and Appendix D.

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 H — “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. See Appendix H — “BOOK-ENTRY ONLY SYSTEM.”

The Bonds are subject to optional redemption, special mandatory redemption and mandatory sinking fund redemption prior to maturity as described herein. See the caption “THE BONDS — Redemption.” For a more complete description of the Bonds and the basic documentation pursuant to which they are being sold and delivered, see the caption “THE BONDS” and Appendix E — “SUMMARY OF THE INDENTURE.”

Tax Exemption

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, 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 (and original issue discount) on the Bonds described herein is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See the caption “TAX EXEMPTION” with respect to tax consequences relating to the Bonds, including with respect to the alternative minimum tax imposed on certain large corporations for tax years beginning after December 31, 2022.

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

Professionals Involved in the Offering

Wilmington Trust, National Association, Costa Mesa, California, will act as Trustee under the Indenture. Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) is the Underwriter of the Bonds. Certain proceedings in connection with the issuance and delivery of the Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, 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 City and the District by Leibold, McClendon, & Mann, Irvine, California, City Attorney, for

the Underwriter by Kutak Rock LLP, Irvine, California, and for the Trustee by its counsel. Other professional services have been performed by Spicer Consulting Group, LLC, Murrieta, California, as Special Tax Consultant (the “Special Tax Consultant”), Urban Futures, Inc., Walnut Creek, California, as Municipal Advisor, and by Kitty Siino & Associates, Tustin, California, as Appraiser.

For information concerning circumstances 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 the caption “FINANCIAL INTERESTS.”

Continuing Disclosure

Pursuant to a Continuing Disclosure Certificate to be executed by the District (the “District Continuing Disclosure Certificate”), the District will agree to provide, or cause to be provided, to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (“EMMA”), maintained on the Internet at <http://emma.msrb.org>, certain annual financial information and operating data and notices of certain enumerated events. These covenants are being made in order to assist the Underwriter in complying with subsection (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission (“Rule 15c2-12”).

The Underwriter does not consider KB Home to be an “obligated person” with respect to the Bonds for purposes of the Rule. Notwithstanding the foregoing, to assist in the marketing of the Bonds, KB Home will agree to provide, or cause to be provided to EMMA, certain updates with respect to the development within the District and notices of certain enumerated events. See Appendix G for a description of the specific nature of the semiannual reports and enumerated event notices to be filed by KB Home.

See “CONTINUING DISCLOSURE,” Appendix F — “FORM OF DISTRICT CONTINUING DISCLOSURE CERTIFICATE” and Appendix G — “FORM OF DEVELOPER CONTINUING DISCLOSURE CERTIFICATE.”

Parity Bonds for Refunding Purposes Only

The District will covenant in the Indenture not to issue additional indebtedness secured by the Net Taxes on a parity with the Bonds (“Parity Bonds”) other than for refunding all or a portion of the Bonds or Parity Bonds. See the caption “SOURCES OF PAYMENT FOR THE BONDS — Parity Bonds for Refunding Purposes Only.” Other taxes and/or special assessments with liens equal in priority to the continuing lien of the Special Taxes may also be levied in the future on the property within the District, which could adversely affect the willingness of the landowners to pay the Special Taxes when due. See the captions “THE DISTRICT — Direct and Overlapping Debt” and “SPECIAL RISK FACTORS — Direct and Overlapping Indebtedness.”

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 caption “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 purchase of the Bonds involves risks, and the Bonds may not be appropriate investments for some types of investors.

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 City Council,

acting as the legislative body of the District, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the Bonds, by reference to the Indenture. Capitalized terms not otherwise defined in this Official Statement have the meanings set forth in Appendix E.

Copies of the Indenture and other documents and information are available for inspection and copies may be obtained from the City, 130 S. Main Street, Lake Elsinore, California, 92530, Attention: City Clerk.

FINANCING PLAN

Estimated Sources and Uses of Funds

The following table sets forth the expected sources and uses of Bond proceeds and certain other funds on hand.

Sources of Funds	
Principal Amount of Bonds	\$
Less Net Original Issue Discount	
Total Sources	<u>\$</u>
 Uses of Funds:	
Acquisition and Construction Fund	\$
Reserve Account	
Cost of Issuance ⁽¹⁾	
Total Uses	<u>\$</u>

⁽¹⁾ To pay costs of issuance of the Bonds, including legal fees, underwriter’s discount, printing costs, Appraiser, Special Tax Consultant and Trustee fees.

THE BONDS

General Provisions

The Bonds will be dated their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, payable semiannually on each March 1 and September 1, commencing September 1, 2024 (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. The Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof.

Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of such Bond, unless: (i) such date of authentication is an Interest Payment Date, in which event interest will be payable from such date of authentication; (ii) the date of authentication is after the fifteenth day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day (each, 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, in which event interest will be payable from the dated date of such Bond, as applicable; provided, however, that if at the time of authentication of such Bond, interest is in default, interest on such Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or, if no interest has been paid or made available for payment on such Bond, interest on such Bond will be payable from its dated date.

Interest on any Bond will be paid to the person whose name appears as its owner in the registration books held by the Trustee on the close of business on the Record Date. Principal of, premium, if any, 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 H — "BOOK-ENTRY-ONLY SYSTEM."

In the event the Bonds are not held in book-entry form, interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, to the Bondowner at its address on the registration books kept by the Trustee. Pursuant to a written request prior to the Record Date of a Bondowner of at least \$1,000,000 in aggregate principal amount of Bonds or of any issue of Parity Bonds, payment will be made by wire transfer in immediately available funds to a designated account in the United States.

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Debt Service Schedule

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

<i>Year Ending September 1</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Debt Service</i>
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Total

Redemption

Optional Redemption. The Bonds may be redeemed at the option of the District from any source of funds on any Interest Payment Date on or after September 1, 20__, in whole or in part, from such maturities as are selected by the District and by lot within a maturity, at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the date of redemption:

<i>Redemption Date</i>	<i>Redemption Price</i>
	%

In the event that the District elects to redeem Bonds as provided above, the District will 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 will be given at least 45 but no more than 60 calendar days prior to the redemption date, or by such later date as is acceptable to the Trustee.

Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, 20__ (the “20__ Term Bonds”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account established under the Indenture, 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 will be selected by the Trustee by lot and will be redeemed at a redemption price for each redeemed 20__ Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Term Bonds Maturing September 1, 20__

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

Sinking Fund Payments

\$

*

* Maturity.

The Bonds maturing on September 1, 20__ (the “20__ Term Bonds”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account established under the Indenture, 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 will be selected by the Trustee by lot and will be redeemed at a redemption price for each redeemed 20__ Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Term Bonds Maturing September 1, 20__

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

Sinking Fund Payments

\$

*

* Maturity.

If the District purchases Term Bonds during the Fiscal Year immediately preceding one of the sinking fund redemption dates specified above, the District will 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 Term Bonds purchased will be cancelled pursuant to the Indenture.

In the event of a partial optional redemption or special 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.

Special Mandatory Redemption from Special Tax Prepayments. The Bonds are subject to special mandatory redemption as a whole or in part on a pro rata basis among maturities and by lot within a maturity, on any Interest Payment Date on or after September 1, 2024, and will be redeemed by the Trustee, from any amounts paid by the District to the Trustee and designated by the District as a prepayment of Special Taxes for one or more parcels in the District made in accordance with the Rate and Method (the “Prepayments”) deposited to the Redemption Account pursuant to the Indenture, 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 Date</i>	<i>Redemption Price</i>
	%

Prepayments and amounts released from the Reserve Account in connection with Prepayments will be allocated to the payment at maturity and redemption of 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 such amounts 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 Independent Financial Consultant that, following such application of the Prepayments, the maximum Special Taxes that may be levied in each Fiscal Year on Taxable Property is not less than 110% of Annual Debt Service in the Bond Year that begins in such Fiscal Year.

See the caption “SPECIAL RISK FACTORS — Potential Early Redemption of Bonds from Prepayments or Community Facilities District Bond Proceeds” for a discussion of the potential for a lower than expected yield on the Bonds as a result of a special mandatory redemption from prepayment of Special Taxes or proceeds of bonds of other community facilities districts.

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

The Trustee will give notice, in the name of the District, of the redemption of Bonds. Such notice of redemption will: (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 of the 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 specified by the Trustee. Such notice will further state that on the date fixed for redemption, there will become due and payable on each Bond, or portion thereof called for redemption, the principal thereof, together with any premium, and interest accrued to the redemption date, and that from and after such date, interest thereon will cease to accrue and be payable. At

least 30 days but no more than 45 days prior to the redemption date, the Trustee will mail a copy of such notice of redemption, 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 any Bonds; provided, however, so long as the 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 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 nor any defect in such notice will affect the validity of the proceedings for the redemption of such Bonds, or the cessation of interest on the redemption date. A certificate by the Trustee that notice of such redemption has been given as provided in the Indenture will be conclusive as against all parties and the Owner is not entitled to show that he or she failed to receive notice of such redemption.

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

Each further notice of redemption will be sent not later than the date that notice of redemption is given to the Owners pursuant to the Indenture by first class mail or facsimile to the Depository and to any other registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds as determined by the Trustee and to one or more of the national information services that the Trustee determines are in the business of disseminating notice of redemption of obligations such as the Bonds.

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

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

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 will be in the principal amount of \$5,000 or an integral multiple thereof. In selecting portions of such Bonds for redemption, the Trustee will treat such Bonds, as applicable, as representing that number of Bonds of \$5,000 denominations which is obtained by dividing the principal amount of such Bonds to be redeemed in part by \$5,000. The procedure for the selection of Parity Bonds for redemption may be modified as set forth in the Supplemental Indenture for such Parity Bonds. The Trustee will promptly notify the District in writing of the Bonds, or portions thereof, selected for redemption.

Partial Redemption of Bonds. Upon surrender of any Bond to be redeemed in part only, the District will execute and the Trustee will authenticate and deliver to the Owner, at the expense of the District, a new Bond or 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.

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: (i) the 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, anything in the Indenture or in the Bonds to the contrary notwithstanding; (ii) upon presentation and surrender thereof at the office of the Trustee, the redemption price of such Bonds will be paid to the Owners thereof; (iii) as of the redemption date the 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; and (iv) 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.

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. Subject to the limitations set forth in the following paragraph, the registration of any 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 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 Owner or his or her duly authorized attorney.

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

The Special Taxes are the primary source of security for the repayment of the Bonds. Under the Indenture, the District has pledged to repay the Bonds from the Net Taxes (which are Special Tax revenues remaining after the payment of the annual Administrative Expenses in an amount not to exceed the Administrative Expenses Cap (as defined in the Indenture)) and from amounts held in the Special Tax Fund (other than amounts held in the Administrative Expense Account therein). Special Tax revenues include the proceeds of the annual Special Tax levy received by the District, including any scheduled payments and Prepayments thereof, and the net proceeds of the redemption of delinquent Special Taxes or sale of property sold as a result of foreclosure of the lien of delinquent Special Taxes to the amount of said lien, and penalties and interest thereon; provided that any delinquent Special Tax sold to an independent third-party or to the City for 100% of the delinquent amount will no longer be pledged under the Indenture to the payment of the Bonds or Parity Bonds.

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 (other than the Administrative Expense Account therein), including amounts held in the Reserve Account therein, for the exclusive benefit of the Owners of the Bonds.

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

Special Taxes

Authorization and Pledge. In accordance with the provisions of the Act, the City established the District on July 25, 2006 for the purpose of financing of various public improvements required in connection with the proposed development within the District. At a special election held on July 25, 2006, the qualified elector within the District authorized the District to incur indebtedness in an amount not to exceed \$10,000,000 for the District. At a special election held on June 23, 2020 in connection with the Change Proceedings conducted with respect to the District in accordance with the Act, the qualified elector within the District voted to approve the Rate and Method which authorized the Special Tax to be levied to repay indebtedness of the District, including the Bonds.

The Bonds will be repaid only from annual Net Taxes derived from the levy and collection of Special Taxes pursuant to the Rate and Method. The Rate and Method permits the prepayment of Special Taxes for an Assessor's Parcel (as defined in the Rate and Method), and any such Prepayments will be applied to redeem Bonds and Parity Bonds, if any. The Net Taxes collected from the annual Special Tax levy and the proceeds of any Prepayment have been pledged under the Indenture to the repayment of the Bonds and Parity Bonds.

The Special Taxes levied in any Fiscal Year may not exceed the maximum rates authorized pursuant to the Rate and Method. See “— *Rate and Method of Apportionment of Special Tax*” and Appendix A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” There is no assurance that the Net Taxes will, in all circumstances, be adequate to pay the principal of and interest on the Bonds when due. See the caption “SPECIAL RISK FACTORS — Insufficiency of Special Tax Revenues.”

Rate and Method of Apportionment of Special Tax. The Rate and Method applicable to the District is contained in Appendix A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” The meaning of the defined terms used in this section are as set forth in Appendix A.

In general, the Rate and Method imposes a different Maximum Special Tax on Taxable Property within the District depending upon whether such Taxable Property is classified as: (i) “Developed Property” (in general, all Assessor's Parcels which is included in a Final Map recorded prior to the January 1 preceding the Fiscal Year in which the Special Tax is being levied and a building permit for new construction has been issued before May 1 preceding such Fiscal Year), (ii) “Approved Property” (in general, parcels of Taxable Property included in a Final Map recorded prior to the January 1 preceding the Fiscal Year in which the Special Tax is being levied but for which no building permit was issued before May 1 preceding such Fiscal Year), (iii) “Undeveloped Property” (in general, Taxable Property that is not “Developed Property,” “Approved Property” or “Provisional Undeveloped Property”) or (iv) “Provisional Undeveloped Property” (in general, Taxable Property that would otherwise be classified as Exempt Property but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property below the required minimum Acreage set forth in the Rate and Method). Different Maximum Special Tax rates are also applicable to Developed Property depending upon: (a) its status as either “Residential Property” or “Non-Residential Property,” (b) in the case of Residential Property, its status as “Single Family Residential Property” or “Multifamily Property” or (c) in the case of Single Family Residential Property, the Building Square Footage of the structure.

Pursuant to the Rate and Method the District is required to determine the “Special Tax Requirement” for each Fiscal Year. The Special Tax Requirement for the District is the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds and Parity Bonds due in the calendar year

that commences in such Fiscal Year, (ii) Administrative Expenses, (iii) the costs associated with the release of funds from an escrow account, (iv) any amount required to replenish any reserve funds established in association with the Bonds and Parity Bonds, (v) an amount equal to any anticipated shortfall due to Special Tax delinquencies, and (vi) for the collection or accumulation of funds for the acquisition or construction of facilities authorized by the District or the payment of debt services on Bonds and Parity Bonds anticipated to be issued, provided that the inclusion of such amount does not cause an increase in the levy of Special Tax on Approved Property or Undeveloped Property, and less (vii) any amounts available to pay debt service or other periodic costs on the Bonds and Parity Bonds pursuant to the Indenture.

The Special Tax Requirement for the District is to be satisfied first by levying the Special Tax Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax. If additional moneys are needed to satisfy the Special Tax Requirement, the Special Tax will be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the Maximum Special Tax applicable to each such Assessor's Parcel. If additional moneys are still needed to satisfy the Special Tax Requirement, the Special Tax will be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax applicable to each such Assessor's Parcel. If additional moneys are needed to satisfy the Special Tax Requirement, the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is the Backup Special Tax will be increased Proportionately from the Assigned Special Tax up to 100% of the Backup Special Tax. Finally, if additional moneys are needed to satisfy the Special Tax Requirement, the Special Tax will be levied Proportionately on each Assessor's Parcel of Provisional Undeveloped Property at up to 100% of the Maximum Special Tax applicable to each such Assessor's Parcel. Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Residential Property as a result of a delinquency in the payment of the Special Tax applicable to any other Assessor's Parcel be increased by more than 10% above the amount that would have been levied in that Fiscal Year had there never been any such delinquency or default.

Within the District, as of October 23, 2023, 151 of the 178 parcels will be classified as Developed Property for the Fiscal Year 2024-25 Special Tax levy. Assuming no additional building permits are issued, the remaining 27 parcels within the District will be classified as Approved Property for the Fiscal Year 2024-25 Special Tax levy. There is no Undeveloped Property within the District. There are certain parcels which are expected to remain as open space when development in the District is complete. Such parcels are Exempt Property but may be classified as Provisional Undeveloped Property in the future, if necessary, in accordance with the Rate and Method. KB Home expects to complete and convey all remaining homes to be constructed in the District to individual homeowners by the end of the first quarter of 2025.

For Fiscal Year 2024-25, the Assigned Special Tax rates for Developed Property within both Tax Zone A and Tax Zone B of the District that is classified as Single Family Residential Property range from \$1,583.60 per taxable unit with a Building Square Footage of less than 1,800 square feet to \$1,953.79 per taxable unit with a Building Square Footage of greater than 2,400 square feet. For Fiscal Year 2024-25 the Assigned Special Tax rate for Approved Property, Non-Residential Property which is Developed Property and Provisional Undeveloped Property within Tax Zone A is \$11,763.87 per acre and within Tax Zone B is \$9,260.21 per acre.

On each July 1 the Assigned Special Tax rates for Developed Property and for Approved Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

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

Table 1 below sets forth the Assigned Special Tax rates for Developed Property and Non-Residential Property, the Fiscal Year 2024-25 Special Tax levy and the percent of such levy based on land use type. The

Special Tax levy in future Fiscal Years will increase from the amount set forth in Table 1 below in order to satisfy the Special Tax Requirement. In Fiscal Year 2023-24, the District levied Special Taxes on 151 parcels of Developed Property in the amount of \$265,292.38.

**TABLE 1
CITY OF LAKE ELSINORE
COMMUNITY FACILITIES DISTRICT NO. 2006-4 (ROSETTA HILLS)
ASSIGNED SPECIAL TAX RATES FOR FISCAL YEAR 2024-25**

<i>Land Use Type</i>	<i>Residential Floor Area (sq. ft.)</i>	<i>Maximum/Assigned Special Tax Rates Fiscal Year 2024-25⁽¹⁾</i>	<i>Special Tax Levy Rates Fiscal Year 2024-25</i>	<i>Percent of Maximum/Assigned Rate</i>	<i>No. of Acres</i>	<i>No. of Units</i>	<i>Aggregate Estimated Special Taxes Fiscal Year 2024-25⁽²⁾</i>	<i>Percent of Total</i>
Residential Property	< 1,800	\$1,583.60	\$1,583.60	100.0%	N/A	43	\$ 68,094.72	23.4%
Residential Property	1,800 - 2,100	1,750.29	1,750.29	100.0	N/A	27	47,257.91	16.2
Residential Property	2,101 - 2,400	1,842.30	1,842.30	100.0	N/A	27	49,742.09	17.1
Residential Property	> 2,400	1,953.79	1,953.79	100.0	N/A	54	105,504.66	36.2
Approved Property	N/A	9,260.21	3,949.64	42.7	5.26	27	20,775.12	7.1
Non-Residential Property	N/A	9,260.21	0.00	0.0	0.00	0	0.00	0.0
Total					5.26	178	\$ 291,374.50	100.0%

⁽¹⁾ With respect to Residential Property, reflects the Assigned Special Tax rates for Developed Property. The Assigned Special Tax rates for Developed Property which are Residential Property are the same for Tax Zone A and Tax Zone B. Tax rates shown for Approved Property and Non-Residential Property are for Tax Zone B. All building permits for the planned development in Tax Zone A have been obtained and there is no Approved Property in Tax Zone A.

⁽²⁾ Includes the Fiscal Year 2024-25 Administrative Expenses Cap of \$31,212. The Administrative Expenses Cap escalates at 2% per Fiscal Year.

Source: Spicer Consulting Group, LLC.

Backup Special Tax Rates. When a Final Map is recorded, the CFD Administrator shall determine which Tax Zone the Final Map area lies within and the Backup Special Tax for an Assessor’s Parcel within a Final Map classified or to be classified as Single Family Property shall calculated by (i) multiplying (a) the Maximum Special Tax rate for Undeveloped Property within the Final Map by (b) the total Acreage of Single Family Residential Property expected to exist in such Final Map at the time of calculation, as determined by the CFD Administrator and (ii) dividing the results in (i) by the total number of Residential Units expected to exist in such Final Map at the time of calculation, as determined by the CFD Administrator. The resulting quotient shall be the Backup Special Tax for each Assessor’s Parcel of Single Family Residential Property within such Final Map area.

In the event any portion of the Final Map is changed or modified, the Backup Special Tax for all Assessor’s Parcels within such changed or modified area shall be \$11,763.87 per Acre for Tax Zone A and \$9,260.21 for Tax Zone B for Fiscal Year 2024-25. In the event any superseding Final Map is recorded as a Final Map within the boundaries of the District, the Backup Special Tax for all Assessor’s Parcels within such Final Map shall be \$11,763.87 per Acre for Tax Zone A and \$9,260.21 for Tax Zone B in Fiscal Year 2024-25. The Backup Special Tax shall not apply to Multi-Family Residential Property or Non-Residential Property.

On each July 1, the Backup Special Tax rate shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

Prepayment of Special Taxes. The Special Tax obligation may be fully prepaid and permanently satisfied for (i) Assessor’s Parcels of Developed Property, (ii) Assessor’s Parcels of Approved Property or Undeveloped Property for which a Building Permit has been issued, (iii) Approved Property or Undeveloped Property for which a Building Permit has not been issued and (iv) Assessor’s Parcels of Public Property or Property Owner’s Association Property, or Provisional Undeveloped Property that are not Exempt Property. The Special Tax obligation may be fully prepaid and permanently satisfied for Developed Property, Approved Property or Undeveloped Property.

The Prepayment amount is calculated based on the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance Cost, the Administrative Fee and less a credit for the resulting reduction in the Reserve Requirement for the Bonds (if any) and any capitalized interest, all as specified in Section G of the Rate and Method attached as Appendix A. Prepayments of Special Taxes will be applied to effect an extraordinary redemption of Bonds and Parity Bonds. See “THE BONDS — Redemption — *Special Mandatory Redemption from Special Tax Prepayments.*”

Estimated Debt Service Coverage. Based on the number of building permits issued within the District as of October 23, 2023 (and assuming no additional building permits are issued), 151 parcels within the District will be classified as Developed Property and the remaining 27 taxable parcels within the District will be classified as Approved Property for the Fiscal Year 2024-25 Special Tax levy. Annual Debt Service for the Bonds in each future Fiscal Year has been structured so that Special Taxes levied on Developed Property at buildout (178 parcels) at the Assigned Special Tax rates, assuming no delinquencies, will generate in each Fiscal Year not less than 110% of debt service payable with respect to the Bonds in the calendar year that begins in that Fiscal Year, plus the Administrative Expenses Cap. Actual collections of the Special Tax will depend on the amount of Special Tax delinquencies. The Assigned Special Tax rates for Developed Property and for Approved Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

In connection with the issuance of the Bonds, the Special Tax Consultant will certify that the Maximum Special Tax that may be levied in each Fiscal Year on Assessor’s Parcels within the District classified as Taxable Property will be at least equal to the sum of: (i) 110% of Maximum Annual Debt Service on the Bonds; plus (ii) the Administrative Expenses Cap. Actual collections of the Special Tax will depend on the amount of Special Tax delinquencies.

Limitation on Special Tax Levy and Potential Impact on Coverage. Pursuant to Section 53321(d) of the Government Code, the special tax levied against any Assessor’s Parcel for which an occupancy permit for private residential use has been issued will not be increased as a consequence of delinquency or default by the owner of any other Assessor’s parcel within the District by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. As a result, in the event the Special Tax is levied at less than the Assigned Special Tax rate, it is possible that the District may not be able to increase the tax levy to the Assigned Special Tax in all years.

Levy, Collection and Application of Special Taxes. The Special Taxes are levied and collected by the Treasurer-Tax Collector of the County in the same manner and at the same time as *ad valorem* property taxes, although it is possible that the District could elect to provide handbills to property owners within the District.

The District will covenant in the Indenture that each year 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 Parity Bonds, to replenish the Reserve Account to the Reserve Requirement and to pay Administrative Expenses.

The District will make certain covenants in the Indenture which are intended to ensure 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, Parity Bonds and Administrative Expenses when due.

First, the District will covenant 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.

Second, the District will covenant in the Indenture, to the maximum extent that the law permits it to do so, not to initiate proceedings to reduce the maximum Special Tax rates for the District, unless, in connection therewith, the District receives a certificate from one or more Independent Financial Consultants which, when

taken together, certify that: (i) such changes do not reduce the maximum Special Taxes that may be levied in each year on property within the District to an amount which is less than the Administrative Expenses Cap plus 110% of the Annual Debt Service due in each corresponding future Bond Year with respect to the Bonds and Parity Bonds Outstanding as of the date of such proposed reduction; and (ii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds.

Third, the District will covenant in the Indenture that, in the event that any initiative is adopted by the qualified electors within the District which purports to reduce the maximum Special Tax below the levels specified in the preceding paragraph 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. The District can provide no assurance that any such legal action will be successful. See the caption “SPECIAL RISK FACTORS — Proposition 218.”

Fourth, the District will covenant in the Indenture that it will not adopt any policy pursuant to 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 Net Taxes to pay the principal of and interest on the Bonds and Parity Bonds when due.

See Appendix E under the caption “COVENANTS AND WARRANTY.”

Although the Special Taxes constitute liens on taxed parcels within the District, they do not constitute a personal indebtedness of the owners of property within the District. Moreover, other liens for taxes and assessments already exist on the property located within the District and others could come into existence in the future in certain situations without the consent or knowledge of the City or the landowners in the District. See the captions “THE DISTRICT — Direct and Overlapping Debt” and “SPECIAL RISK FACTORS — Direct and Overlapping Indebtedness.” 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 under the caption “SPECIAL RISK FACTORS.”

Proceeds of Foreclosure Sales. The net proceeds received following a judicial foreclosure sale of property within the District resulting from a property owner’s failure to pay the Special Taxes when due are included within the Net Taxes pledged to the payment of principal of and interest on the Bonds and any Parity 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 Taxes levied, the City Council, as the legislative body of the District, may order that Special Taxes be collected by a Superior Court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory. However, the District will covenant in the Indenture for the benefit of the owners of the Bonds and any Parity Bonds that it will: (i) commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$5,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due; and (ii) commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied; and (iii) 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 will covenant in the Indenture that it will deposit the net proceeds of any 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 THE INDENTURE — COVENANTS AND WARRANTY — Covenants” 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 unless the foreclosure proceedings produce sufficient net foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the City and the District. See the caption “SPECIAL RISK FACTORS — Enforcement Delays – Bankruptcy.” 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 net proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See the caption “SPECIAL RISK FACTORS — Property Values.” Although the Act authorizes the District to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the District or the City any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale. 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.

Collection of Special Taxes and Flow of Funds. The Special Taxes will be levied and collected by the Treasurer-Tax Collector of the County in the same manner and at the same time as *ad valorem* property taxes, although it is possible that the District could elect to provide handbills to property owners within the District. When the County apportions Special Taxes to the District, the District will transmit the Special Taxes to the Trustee for deposit in the Special Tax Fund established by the Indenture.

Except for Prepayments, which will be deposited to the Redemption Account of the Special Tax Fund, 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, in the amounts and in the following order of priority, to:

- First: To the Administrative Expense Account in an amount up to the Administrative Expenses Cap.
- Second: To the Interest Account, an amount such that the balance in the Interest Account one Business Day prior to each Interest Payment Date is equal to the installment of interest due on the Bonds and any Parity Bonds on said Interest Payment Date and any installment of interest due on a previous Interest Payment Date 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.
- Third: To the Principal Account, an amount such that the balance in the Principal Account one Business Day prior to September 1 of each year, commencing September 1, 2024, is equal to the principal payment due on the Bonds and any Parity Bonds maturing on such September 1 and any principal payment due on a previous September 1 which remains unpaid. Moneys in the Principal Account shall be used for the payment of the principal of such Bonds and any Parity Bonds as the same become due at maturity.
- Fourth: To the Redemption Account, the amount needed to make the balance in the Redemption Account one Business Day prior to each September 1 on which a Sinking Fund Payment is due equal to the Sinking Fund Payment due on any Outstanding Bonds and Parity Bonds on such September 1; provided, however, that, if amounts in the Special Tax Fund are inadequate to make the foregoing transfers, then any deficiency will be made up by an immediate transfer from the Reserve Account, if funded, pursuant to the Indenture; and

thereafter, to pay the principal and premium, if any, due in connection with an optional redemption of Bonds or Parity Bonds.

- Fifth: To the Reserve Account of the Special Tax Fund to the extent necessary to replenish the Reserve Account to the Reserve Requirement.
- Sixth: To the Administrative Expense Account of the Special Tax Fund the amount of any Administrative Expenses for the current Bond Year in excess of the Administrative Expenses Cap as directed by the City.
- Seventh: To the Rebate Fund established by the Indenture to the extent directed by the City pursuant to the Indenture.
- Eighth: To the Surplus Fund established by the Indenture such remaining amounts in the Special Tax Fund after making the foregoing transfers on September 1.

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 and thereafter to maintain in the Reserve Account an amount equal to the Reserve Requirement. The term “Reserve Requirement” is defined in the Indenture to mean, that amount as of any date of calculation, equal to the lesser of: (i) 10% of the initial principal amount of the Bonds and Parity Bonds, if any; (ii) Maximum Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any; (iii) 125% of average Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any; provided, however, that the Reserve Requirement shall not exceed \$ _____ except in connection with the issuance of Parity Bonds. The Reserve Requirement may be satisfied in whole or in part by cash, a Reserve Policy (as defined in the Indenture), or a combination thereof. On the date of issuance of the Bonds, the Reserve Requirement will be satisfied from a deposit of \$ _____ into the Reserve Account from proceeds of the Bonds.

Subject to the limits on the maximum annual Special Tax levy set forth in the Rate and Method and in the Indenture, the District will covenant in the Indenture to levy Special Taxes in an amount 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: (i) to pay debt service on the Bonds, or any Parity Bonds, including Sinking Fund Payments, to the extent that other monies are not available therefor; (ii) to redeem Bonds or Parity Bonds in the event of prepayment of Special Taxes, to optionally redeem Bonds or Parity Bonds or in connection with a partial defeasance of Bonds or Parity Bonds, in accordance with the Indenture; and (iii) to pay any rebate requirements. See Appendix E under the caption “CREATION OF FUNDS AND APPLICATION OF PROCEEDS — Reserve Account of the Special Tax Fund.”

No Teeter Plan

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

Parity Bonds for Refunding Purposes Only

The District will covenant in the Indenture not to issue Parity Bonds except as provided in the Indenture and only for the purposes of refunding all or a portion of the Bonds and any Parity Bonds. See Appendix E under the caption “DEFEASANCE AND PARITY BONDS.”

KB Home Letter of Credit

KB Home has provided an irrevocable letter of credit (the “Letter of Credit”) to secure payment of Special Taxes levied on the property in the District owned by it, which identifies the Trustee as beneficiary. The amount available to be drawn under the Letter of Credit (the “Stated Amount”) is equal to the estimated Special Tax levy attributable to the parcels owned by KB Home as of October 23, 2023 in the two fiscal years following the issuance of the Bonds. The initial Stated Amount of the Letter of Credit shall be \$_____. The initial term of the Letter of Credit is one year from its date of issuance, and KB Home will maintain and cause the issuing bank to annually renew the Letter of Credit each year prior to the expiration date until the property then owned by KB Home is responsible for less than twenty percent (20%) of the Maximum Special Tax levy in the District in the then current and succeeding Fiscal Year. Notwithstanding the foregoing, the District may elect to waive the requirement for KB Home to maintain the Letter of Credit or may release the Letter of Credit at any time without the consent of the Owners or Beneficial Owners of the Bonds. The Letter of Credit is not pledged to the repayment of debt service on the Bonds.

THE DISTRICT

General Description of the District

The District contains approximately 52.5 gross acres and approximately 31.9 net taxable acres. The District is located in the City approximately 1.5 miles northeast of Interstate 15, toward the northeastern portion of the City. The District is generally located to the north of the intersection of Rosetta Canyon Road and Elsinore Hills Road.

The property within the District is being developed by KB Home into 178 single-family detached homes in a project being marketed as “Crimson Hills.” As of October 23, 2023, KB Home had completed and conveyed 102 homes within the District to individual homeowners. As of such date KB Home owned three model homes (none of which were in escrow), 34 homes under construction (18 of which were in escrow) and 39 finished lots.

The backbone infrastructure (sewer, water, storm drains, utilities, and arterial roads) necessary to develop the property within the District has been completed. The development in the District is located in two final tract maps. The in-tract infrastructure in the southern tract (consisting of 151 homes) is substantially complete. KB Home has obtained building permits for all 151 homes in the southern tract. The in-tract infrastructure in the northern tract (consisting of 27 planned homes) is underway with the lots graded and street paving and utilities installation substantially complete. As of October 23, 2023, KB Home had not yet obtained building permits for the 27 planned homes in the northern tract. KB Home expects to complete the remaining in-tract improvements, including trails, landscaping, walls, and other related lot finishing costs commensurate with the timing of sales and construction of the related homes.

Water and sewer service to the property within the District is currently supplied by the Elsinore Valley Municipal Water District. Electricity is currently supplied by Southern California Edison and gas by Southern California Gas Company. Public education instruction is provided by the Lake Elsinore Unified School District.

The property within the District is not located in an Alquist-Priolo Earthquake Study Zone and is not located within one-half mile of an active earthquake fault. Additionally, the District is not located in a flood plain area. The District is not located in an area which the Department of Forestry and Fire Protection of the State of California has designated as a very high fire hazard severity zone, however the District is within the

vicinity of property so designated. The property in the District may be subject to unpredictable seismic activity, fires, flood, or other natural disasters. See “SPECIAL RISK FACTORS — Natural Disasters.”

A map showing the location of the District and an aerial photograph thereof appear following the Table of Contents.

Authorized Uses of Bond Proceeds

Proceeds of the Bonds are authorized to be used to pay for the costs of construction of City facilities, including, but not limited to, certain storm drain and street improvements and other public facilities as well as the costs of certain water and sewer system improvements to be owned and operated by the Elsinore Valley Municipal Water District. See the caption “FINANCING PLAN.”

Appraisal Report

The estimated assessed value of the property within the District, as shown on the County’s assessment roll for Fiscal Year 2023-24 is approximately \$52,134,922, which as a result of timing of the County’s determination of the assessed values for Fiscal Year 2023-24, does not reflect the development activity that has taken place since such value was determined.

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 taxable property within the District, the City engaged the Appraiser to prepare the Appraisal Report. The Appraiser has an “MAI” designation from the Appraisal Institute and has prepared numerous appraisals for the sale of land-secured municipal bonds. The Appraiser was selected by the City and has no material relationships with the City or the owners of the land within the District other than the relationship represented by the engagement to prepare the Appraisal Report. The City instructed the Appraiser to prepare its analysis and report in conformity with City-approved guidelines and the Appraisal Standards for Land Secured Financings published in 1994 and revised in 2004 by the California Debt and Investment Advisory Commission. A copy of the Appraisal Report and Appraisal Supplement are included as Appendix D — “APPRAISAL REPORT” to this Official Statement.

The purpose of the Appraisal Report was to estimate the market value of the property within the District subject to the lien of 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 remaining costs to develop the project within the District provided to the Appraiser by KB Home are correct. As a result, the value conclusions are based upon a hypothetical condition that all improvements and benefits to the District, which are to be funded with the proceeds of the Bonds, are completed and in place.

Subject to the assumptions and limiting conditions set forth in the Appraisal Report, the Appraiser concluded that, as of October 23, 2023, the market value of the Taxable Property within the District was \$72,191,092. In valuing the property within the District, the Appraiser used a sales comparison approach for the property to be developed and, with respect to the KB Home-owned models and homes over 95% complete, a discounted cash flow analysis was applied. The discounted cash flow analysis accounts for remaining development costs, marketing and carrying costs and a discount rate through the estimated absorption period for such models and production units. Production units which were under 95% complete were valued on a finished lot basis.

The Appraisal Report is based upon a variety of assumptions and limiting conditions that are described in Appendix D. The City, the Underwriter and the District make no representation as to the accuracy of the Appraisal Report. There is no assurance that the property within the District can be sold for the prices set forth in the Appraisal Report or that any parcel can be sold for a price sufficient to pay the Special Tax for that parcel in the event of a default in payment of Special Taxes by the landowner. See “SPECIAL RISK FACTORS — Property Values,” Appendix D — “APPRAISAL REPORT.”

Estimated Appraised Value-to-Lien Ratios

The aggregate appraised value of property within the District is \$72,191,092. Dividing the aggregate estimate of value by the principal amount of the Bonds results in value to lien ratio of 15.71-to-1* for the District. There is currently no other direct or overlapping special tax or assessment debt on the property within the District. Including the overlapping general obligation debt in the District and the Bonds, the estimated appraised value to lien ratio for the District is approximately 15.59-to-1*. See “SPECIAL RISK FACTORS — Direct and Overlapping Indebtedness.” The assessed value of the property within the District is \$52,134,922 for Fiscal Year 2023-24, which as a result of timing of the County’s determination of the assessed values for Fiscal Year 2023-24, does not reflect the development activity that has taken place since such value was determined. Dividing the assessed value by the principal amount of the Bonds results in an estimated assessed value-to-lien ratio of 11.35-to-1* for the District.

Based on ownership status as of October 23, 2023 (and assuming none of the 18 homes in escrow close to individual homeowners), individual homeowners and KB Home are expected to be responsible for approximately 62.4% and 37.6%, respectively, of the estimated Fiscal Year 2024-25 Special Tax levy.

Table 2 below sets forth the appraised value-to-lien ratio of the Taxable Property within the District based on the appraised values set forth in the Appraisal Report, the principal amount of the Bonds and overlapping general obligation debt. Table 3 below sets forth the estimated appraised value-to-lien ratios for Developed Property within the District by various ranges based upon the principal amount of the Bonds and overlapping general obligation debt. Other than the Bonds, there is currently no overlapping land-secured special tax and assessment debt on the property within the District.

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* Preliminary, subject to change.

**TABLE 2
CITY OF LAKE ELSINORE
COMMUNITY FACILITIES DISTRICT NO. 2006-4 (ROSETTA HILLS)
ESTIMATED APPRAISED VALUE-TO-LIEN RATIOS**

<i>Property Owner⁽¹⁾</i>	<i>No. of Parcels</i>	<i>Appraised Property Value⁽²⁾</i>	<i>% of Appraised Value</i>	<i>Maximum Fiscal Year 2024-25 Special Tax⁽³⁾</i>	<i>Percentage of Maximum Fiscal Year 2024-25 Special Tax</i>	<i>Estimated Fiscal Year 2024-25 Special Tax Levy⁽⁴⁾</i>	<i>% of Estimated Fiscal Year 2024-25 Special Tax Levy</i>	<i>CFD 2006-4 Bonds⁽⁵⁾*</i>	<i>All Other Overlapping Debt⁽⁶⁾</i>	<i>Total Debt Issued*</i>	<i>Appraised Value-to- Lien Ratio*</i>
Developed Property											
Individually Owned	102	\$ 57,581,225	79.76%	\$ 210,593	58.42%	\$ 181,974	62.45%	\$ 2,869,748	\$ 21,694	\$ 2,891,442	19.91:1
KB Home	<u>49</u>	<u>10,347,988</u>	<u>14.33</u>	<u>101,167</u>	<u>28.06</u>	<u>88,625</u>	<u>30.42</u>	<u>1,397,627</u>	<u>10,565</u>	<u>1,408,192</u>	<u>7.35:1</u>
Subtotal Developed	151	\$ 67,929,213	94.10%	\$ 311,760	86.48%	\$ 270,599	92.87%	\$ 4,267,375	\$ 32,259	\$ 4,299,634	15.80:1
Approved Property											
KB Home	<u>27</u>	<u>\$ 4,261,879</u>	<u>5.90%</u>	<u>\$ 48,737</u>	<u>13.52%</u>	<u>\$ 20,775</u>	<u>7.13%</u>	<u>\$ 327,625</u>	<u>\$ 2,477</u>	<u>\$ 330,102</u>	<u>12.91:1</u>
Subtotal Approved	27	\$ 4,261,879	5.90%	\$ 48,737	13.52%	\$ 20,775	7.13%	\$ 327,625	\$ 2,477	\$ 330,102	12.91:1
Total	178	\$ 72,191,092	100.00%	\$ 360,497	100.00%	\$ 291,375	100.00%	\$ 4,595,000	\$ 34,736	\$ 4,629,736	15.59:1

* Preliminary, subject to change.

(1) Property ownership status as of October 23, 2023. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT" below.

(2) Based on the appraised value set forth in the Appraisal Report as of the October 23, 2023, the Date of Value.

(3) Based on the Backup Special Tax rate on Developed Property and the Maximum Special Tax Rate on Approved Property. See "SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — Rate and Method of Apportionment of Special Tax."

(4) Estimated Fiscal Year 2024-25 Special Tax Levy based upon development status as of October 23, 2023 and an Administrative Expense Cap for Fiscal Year 2024-25 of \$31,212. The estimated levy on Developed Property shown is equal to 100% of the Assigned Special Tax rates on Developed Property. See "SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — Rate and Method of Apportionment of Special Tax."

(5) Allocated based on the estimated Fiscal Year 2024-25 Special Tax levy.

(6) Includes overlapping debt set forth in Table 4 below.

Source: County of Riverside Assessor's Office; Spicer Consulting Group, LLC.

**TABLE 3
CITY OF LAKE ELSINORE
COMMUNITY FACILITIES DISTRICT NO. 2006-4 (ROSETTA HILLS)
VALUE-TO-LIEN STRATIFICATION FOR DEVELOPED PROPERTY***

<i>Value-to-Lien Category</i>	<i>No. of Parcels of Developed Property</i>	<i>% of Developed Property</i>	<i>Appraised Value⁽¹⁾</i>	<i>% of Appraised Value</i>	<i>CFD 2006-4 Estimated Fiscal Year 2024-25 Special Tax Levy</i>	<i>Percent Share of Estimated Fiscal Year 2024-25 Special Tax Levy</i>	<i>CFD 2006-4 Bonds⁽²⁾</i>	<i>Percent Share of Proposed 2024 Bonds</i>	<i>All Other Overlapping Debt⁽³⁾</i>	<i>Overlapping Debt</i>	<i>Aggregate Value-to- Lien</i>
Less than 5.00:1 ⁽⁴⁾	1	0.56%	\$ 157,847	0.22%	\$ 2,835	0.97%	\$ 44,705	0.97%	\$ 338	\$ 45,043	3.50:1
Between 5.00:1 to 10.00:1	39	21.91	6,156,048	8.53	69,256	23.77	1,092,173	23.77	8,256	1,100,429	5.59:1
Between 10.01:1 to 15.00:1	24	13.48	6,401,804	8.87	30,645	10.52	483,275	10.52	3,653	486,928	13.15:1
Between 15.01:1 to 20.00:1	72	40.45	38,299,079	53.05	123,671	42.44	1,950,306	42.44	14,743	1,965,049	19.49:1
Greater than 20.00:1 ⁽⁴⁾	<u>42</u>	<u>23.60</u>	<u>21,176,315</u>	<u>29.33</u>	<u>64,967</u>	<u>22.30</u>	<u>1,024,541</u>	<u>22.30</u>	<u>7,745</u>	<u>1,032,286</u>	<u>20.51:1</u>
Totals	178	100.00%	\$ 72,191,092	100.00%	\$ 291,375	100.00%	\$ 4,595,000	100.00%	\$ 34,736	\$ 4,629,736	15.59:1

* Preliminary, subject to change.

(1) Based on the appraised value set forth in the Appraisal Report as of October 23, 2023, the Date of Value.

(2) Allocated based on the estimated Fiscal Year 2024-25 Special Tax levy based upon development status as of October 23, 2023.

(3) Includes overlapping debt set forth in Table 4 below.

(4) The minimum value to lien in the Less than 5.00:1 category is 3.50:1*. The maximum value to lien in the Greater than 20.00:1 category is 20.88:1*.

Source: County of Riverside Assessor's Office; Spicer Consulting Group, LLC.

Direct and Overlapping Debt

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

**TABLE 4
CITY OF LAKE ELSINORE
COMMUNITY FACILITIES DISTRICT NO. 2006-4 (ROSETTA HILLS)
DIRECT AND OVERLAPPING DEBT
AS OF NOVEMBER 1, 2023**

I. Appraisal Value ⁽¹⁾							\$ 72,191,092
II. Land Secured Bond Indebtedness							
Outstanding Direct and Overlapping Bonded Debt	<u>Type</u>	<u>Issued</u>	<u>Outstanding</u>	<u>% Applicable</u>	<u>Parcels in CFD No. 2006-4⁽³⁾</u>	<u>Amount Applicable</u>	
City of Lake Elsinore CFD No. 2006-4, Series 2024 ⁽²⁾	CFD	\$ 4,595,000*	\$ 4,595,000*	100.000%	178	\$ 4,595,000*	
TOTAL LAND SECURED BONDED DEBT							\$ 4,595,000*
Authorized but Unissued Direct and Overlapping Indebtedness	<u>Type</u>	<u>Authorized</u>	<u>Unissued</u>	<u>% Applicable</u>	<u>Parcels in CFD No. 2006-4⁽³⁾</u>	<u>Amount Applicable</u>	
City of Lake Elsinore CFD No. 2006-4, Series 2024	CFD	\$ 10,000,000	\$ 0	100.000%	178	\$ 0	
TOTAL UNISSUED LAND SECURED INDEBTEDNESS⁽²⁾							\$ 0
TOTAL OUTSTANDING AND UNISSUED LAND SECURED INDEBTEDNESS							\$ 4,595,000*
III. General Obligation Bond Indebtedness							
Outstanding Direct and Overlapping Bonded Debt	<u>Type</u>	<u>Issued</u>	<u>Outstanding</u>	<u>% Applicable</u>	<u>Parcels in CFD No. 2006-4</u>	<u>Amount Applicable</u>	
Metropolitan Water Debt Service	GO	\$ 850,000,000	\$ 17,970,000	0.005%	178	\$ 926	
Mt. San Jacinto Jr. College Debt Service	GO	295,000,000	242,210,000	0.006	178	13,923	
Lake Elsinore Unified School District Debt Service	GO	53,915,000	47,005,000	0.042	178	19,886	
TOTAL OUTSTANDING GENERAL OBLIGATION BONDED DEBT							\$ 34,736
Authorized but Unissued Direct and Overlapping Indebtedness	<u>Type</u>	<u>Authorized</u>	<u>Unissued</u>	<u>% Applicable</u>	<u>Parcels in CFD No. 2006-4</u>	<u>Amount Applicable</u>	
Metropolitan Water Debt Service	GO	\$ 850,000,000	\$ 0	0.005%	178	\$ 0	
Mt. San Jacinto Jr. College Debt Service	GO	295,000,000	0	0.006	178	0	
Lake Elsinore Unified School District Debt Service	GO	105,000,000	51,085,000	0.042	178	21,612	
TOTAL UNISSUED GENERAL OBLIGATION INDEBTEDNESS							\$ 21,612
TOTAL OUTSTANDING AND UNISSUED GENERAL OBLIGATION INDEBTEDNESS							\$ 56,348
TOTAL OF ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT							\$ 4,629,736*
TOTAL OF ALL OUTSTANDING DIRECT AND UNISSUED DIRECT OVERLAPPING INDEBTEDNESS							\$ 4,651,348*
IV. Ratios to Appraisal Value							
Outstanding Land Secured Bonded Debt							15.71:1*
Total Outstanding Bonded Debt							15.59:1*

* Preliminary, subject to change.

⁽¹⁾ Based on the appraised value set forth in the Appraisal Report as of October 23, 2023, the Date of Value.

⁽²⁾ Parity Bonds may be issued for refunding purposes only.

Source: County of Riverside Assessor's Office; Spicer Consulting Group, LLC.

Table 5 below describes the estimated Fiscal Year 2024-25 effective tax burden for KB Home’s development in the District based on the average appraised value of homes within each of KB Home’s floor plans in the District as of the Date of Value, the actual Fiscal Year 2024-25 Special Tax levy and Fiscal Year 2023-24 actual levies for all other overlapping taxing jurisdictions. Based on the foregoing and the projected debt service on the Bonds, the Administrative Expenses Cap of \$31,212 (which amount shall escalate at 2.00% per Fiscal Year), in Fiscal Year 2024-25, the projected effective tax rates to be levied on Developed Property in the District will range from approximately 1.83% to 1.93%.

**TABLE 5
CITY OF LAKE ELSINORE
COMMUNITY FACILITIES DISTRICT NO. 2006-4 (ROSETTA HILLS)
ESTIMATED FISCAL YEAR 2024-25 TAX OBLIGATION
FOR A SAMPLE OF DEVELOPED PROPERTY**

Plan Type CFD Tax Category	KB Home					
	TR 30698/32129					
	Plan 1 Less than 1,800 S.F.	Plan 2 Less than 1,800 S.F.	Plan 3 1,800 to 2,100 S.F.	Plan 4 2,101 to 2,400 S.F.	Plan 5 Greater than 2,400 S.F.	Plan 6 Greater than 2,400 S.F.
Home Size ⁽¹⁾	1,551	1,751	2,035	2,206	2,528	2,882
Appraisal Value ⁽²⁾	\$496,320	\$525,300	\$559,625	\$573,560	\$594,080	\$619,630
Ad Valorem Property Taxes:						
General Purpose	\$ 4,963	\$ 5,253	\$ 5,596	\$ 5,736	\$ 5,941	\$ 6,196
Metro Water West (0.00350%)	17	18	20	20	21	22
Mt. San Jacinto Jr College (0.01320%)	66	69	74	76	78	82
Lake Elsinore Unified School District (0.01900%)	<u>94</u>	<u>100</u>	<u>106</u>	<u>109</u>	<u>113</u>	<u>118</u>
Total General Property Taxes	\$ 5,140	\$ 5,441	\$ 5,796	\$ 5,940	\$ 6,153	\$ 6,418
Assessment, Special Taxes & Parcel Charges:						
Flood Control Stormwater / Cleanwater / Santa Ana	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4
CSA #152 City of Lake Elsinore Stormwater	14	14	14	14	14	14
City of Lake Elsinore Citywide LLMD	25	25	25	25	25	25
Northwest Mosquito and Vector Control	11	11	11	11	11	11
MWD Standby charge	9	10	10	10	10	10
EVMWD Standby	10	10	10	10	10	10
EVMWD Sewer	10	10	10	10	10	10
LEUSD CFD No. 2005-6 IA B Annual Special Tax	1,115	1,115	1,170	1,170	1,226	1,226
Proposed CFD No. 2015-1 - Safety Services	997	997	997	997	997	997
Proposed CFD No. 2015-2 - Maintenance Services	658	658	658	658	658	658
City of Lake Elsinore CFD 2006-4 ⁽³⁾	<u>1,584</u>	<u>1,584</u>	<u>1,750</u>	<u>1,842</u>	<u>1,954</u>	<u>1,954</u>
Total Assessments & Special Taxes	\$ 4,436	\$ 4,436	\$ 4,658	\$ 4,750	\$ 4,918	\$ 4,918
Projected Total Property Tax	\$ 9,576	\$ 9,877	\$ 10,454	\$ 10,691	\$ 11,070	\$ 11,335
Projected Effective Tax Rate	1.93%	1.88%	1.87%	1.86%	1.86%	1.83%

(1) Reflects the estimated home size of each plan type within the District.

(2) Based on the appraised value set forth in the Appraisal Report as of October 23, 2023, the Date of Value.

(3) Reflects Fiscal Year 2024-25 Special Tax levy based on development as of October 23, 2023 and includes the Fiscal Year 2024-25 Administrative Expenses Cap of \$31,212.

Source: County of Riverside Assessor’s Office; Spicer Consulting Group, LLC.

Delinquency History

Fiscal Year 2022-23 was the first year of the Special Tax levy. As of November 1, 2023, there was one delinquent parcel for the Fiscal Year 2022-23 in the amount of \$885.38. In Fiscal Year 2023-24, the District levied the Special Tax on 151 parcels of Developed Property in the amount of \$265,292.38. The first installment of the Fiscal Year 2023-24 Special Tax levy will become delinquent on December 10, 2023 and the second installment on April 10, 2024.

PROPERTY OWNERSHIP AND THE DEVELOPMENT

The information about the property in the District under this caption has been provided by representatives of KB Home, and has not been independently confirmed or verified by the Underwriter, the City or the District. The Underwriter, the City, and the District make no representation as to the accuracy or adequacy of the information contained in this caption. There may be material adverse changes in this information after the date of this Official Statement. Neither the Bonds nor the Net Taxes securing the Bonds and any Parity Bonds are personal obligations of KB Home 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 the caption "SPECIAL RISK FACTORS."

Notwithstanding the belief of KB Home that it will have sufficient funds to complete its planned development in the District, no assurance can be given that amounts necessary to fund the remaining planned development by KB Home in the District will be available when needed. None of KB Home, or any other entity or person is under any legal obligation of any kind to expend funds for the development of the property as planned by KB Home in the District. Any contributions by KB Home or any other entity or person to fund the costs of its development are entirely voluntary. If and to the extent the aforementioned sources are inadequate to pay the costs to complete the planned development by KB Home within the District, the remaining portions of such development may not be completed. KB Home has no legal obligation to Bondholders to make any such funds available for construction or development, or the payment of ad valorem property taxes or the Special Taxes. See the caption "SPECIAL RISK FACTORS."

General

The District contains approximately 52.5 gross acres and approximately 31.9 net taxable acres. The District is located in the City approximately 1.5 miles northeast of Interstate 15, toward the northeastern portion of the City. The District is generally located to the north of the intersection of Rosetta Canyon Road and Elsinore Hills Road.

The backbone infrastructure (sewer, water, storm drains, utilities, and arterial roads) necessary to develop the property within the District has been completed. The development in the District is located in two final tract maps. The in-tract infrastructure in the southern tract (consisting of 151 homes) is substantially complete. KB Home has obtained building permits for all 151 homes in the southern tract. The in-tract infrastructure in the northern tract (consisting of 27 planned homes) is underway with the lots graded and street paving and utilities installation substantially complete. As of October 23, 2023, KB Home had not yet obtained building permits for the 27 planned homes in the northern tract. KB Home expects to complete the remaining in-tract improvements, including trails, landscaping, walls, and other related lot finishing costs commensurate with the timing of sales and construction of the related homes.

Planned Development Within the District

General. The property within the District is being developed by KB Home into 178 single-family detached homes in a project being marketed as "Crimson Hills." As of October 23, 2023, KB Home had completed and conveyed 102 homes within the District to individual homeowners. As of such date, KB Home owned three model homes (none of which were in escrow), 34 homes under construction (18 of which were in escrow) and 39 finished lots. Home sales within the District began in October 2021 and KB Home expects to complete and convey all remaining homes to be constructed in the District to individual homeowners by the end of the first quarter of 2025.

COMMUNITY FACILITIES DISTRICT NO. 2006-4 (ROSETTA HILLS)
(As of October 23, 2023)

<i>Plan</i>	<i>Total Units Planned</i>	<i>Estimated Home Square Footage</i>	<i>Closings</i>	<i>Owned by KB Home</i>		
				<i>Completed Homes/Homes Under Construction⁽¹⁾</i>	<i>Finished Lots</i>	<i>Base Home Prices⁽²⁾</i>
1	22	1,551	11	4	7	\$554,990
2	31	1,751	21	5	5	571,990
3	30	2,035	17	6	7	590,990
4	29	2,206	18	7	4	605,990
5	34	2,528	17	8	9	632,990
6	<u>32</u>	2,882	<u>18</u>	<u>7</u>	<u>7</u>	659,990
Total	178		102	37	39	

(1) Completed Homes/Homes Under Construction consist of three completed model homes and 34 production homes under construction.

(2) Base home prices shown exclude lot premiums, options and extras and any incentives or price reductions. Base sales prices are subject to change.

KB Home

General. As previously defined in this Official Statement as “KB Home” is KB Home Coastal Inc., a California corporation. 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 Parent is a publicly traded company listed on the New York Stock Exchange under the ticker symbol “KBH.”

Founded in 1957, KB Home Parent constructs and sells homes through its operating divisions under the name KB Home. KB Home Parent’s ongoing principal operations are in nine states, including California, Arizona, Nevada, Colorado, Texas, Florida, North Carolina, Idaho and Washington within 47 major markets. KB Home 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 Parent is subject to the informational reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith is obligated to file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the “SEC”). Such filings set forth, among other things, certain data relative to the consolidated results of operations and financial position of KB Home Parent and its subsidiaries. KB Home Parent’s SEC filings are available to the public over the Internet at the SEC’s website at www.sec.gov, and at KB Home’s website at www.kbhome.com.

The foregoing websites and references to filings with the SEC are given for reference and convenience only, and the information on such websites and on file with the SEC does not form a part of this Official Statement and is not incorporated by reference herein. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such websites. KB Home and KB Home Parent are not obligated to advance funds for construction or development or to pay ad valorem property taxes or the Special Taxes and investors should not rely on the information and financial statements contained on such websites in evaluating whether to buy, hold or sell the Bonds. The information contained on such websites may be incomplete or inaccurate and has not been reviewed by the City, the District or the Underwriter.

Financing Plan. To date, KB Home has financed its land acquisition and various site development and homebuilding costs related to its property in the District through internally generated funds, (which may include

home sales revenue and funding from KB Home Parent). As of December 1, 2023, KB Home has expended approximately \$84.9 million on its development in the District, including land acquisition costs, site development costs, permits and fees, direct and indirect home construction costs, and marketing and sales costs and expenses (exclusive of corporate overhead and other carry costs). KB Home expects to incur approximately \$3.3 million on remaining land development costs and approximately \$15.5 million on remaining permits and fees, direct and indirect home construction costs, and marketing and sales costs and expenses (exclusive of corporate overhead and other carry costs) related to its project in the District. KB Home expects to use internal funding (which may include home sales revenue and funding from KB Home Parent) to complete its development within the District, and believes that it will have sufficient funds available to complete its planned development as described in this Official Statement.

Notwithstanding the belief of KB Home that it will have sufficient funds to complete its planned development in the District, no assurance can be given that amounts necessary to fund the remaining planned development by KB Home in the District will be available when needed. None of KB Home or any other entity or person is under any legal obligation of any kind to expend funds for the development of the property owned by KB Home in the District. Any contributions by KB Home or any other entity or person to fund the costs of such development are entirely voluntary. If and to the extent the aforementioned sources are inadequate to pay the costs to complete the planned development by KB Home within the District, the remaining portions of such development may not be completed. There is no legal obligation to Bondholders to make any such funds available for construction or development, or the payment of ad valorem property taxes or the Special Taxes.

SPECIAL RISK FACTORS

The Bonds have not been rated by any rating agency, and the purchase of the Bonds involves significant risks that are not appropriate 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. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District. See “— Property Values” below.

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; (iii) natural disasters (including, without limitation, earthquakes, wildfires and floods), which may result in uninsured losses; (iv) adverse changes in local market conditions; and (v) increased delinquencies due to rising mortgage costs and other factors.

No assurance can be given that the property owners within the District will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See the caption “— Enforcement Delays — Bankruptcy” for a discussion of certain limitations on the District’s ability to pursue judicial proceedings with respect to delinquent parcels.

Insufficiency of Special Tax Revenues

As discussed below, the Special Taxes may not produce revenues sufficient to pay the debt service on the Bonds either due to nonpayment of the amounts levied or because acreage within the District becomes exempt from taxation due to the transfer of title to a public agency.

In order to pay debt service on the Bonds, it is generally necessary that the Special Taxes be paid in a timely manner. Should the Special Taxes not be paid on time, the District has established a Reserve Account under the Indenture to be maintained 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 in the Indenture to maintain in the Reserve Account an amount equal to the Reserve Requirement, subject, however, to the availability of Net Taxes in amounts sufficient to do so and to the limitation that the District may not levy the Special Tax in any Fiscal Year at a rate in excess of the maximum amounts permitted under the Rate and Method. See Appendix A and Appendix E hereto. As a result, if a significant number of Special Tax delinquencies occurs within the District, the District could be unable to replenish the Reserve Account to the Reserve Requirement due to the limitations on the amount of the Special Tax that may be levied. If such defaults were to continue in successive years, the Reserve Account could be depleted and a default on the Bonds could occur.

The Act provides that, if any property within the District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts, but it is doubtful that they would be upheld as to, for example, property owned by the federal government. If for any reason property within the District becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government or another public agency, subject to the limitation of the Maximum Special Tax, the Special Tax will be reallocated to the remaining taxable parcels within the District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon their willingness and/or ability to pay the Special Tax. Moreover, if a substantial portion of additional land within the District became exempt from the Special Tax because of public ownership, or otherwise, the Maximum Special Tax which could be levied upon the remaining acreage might not be sufficient to pay principal of and interest on the Bonds when due and a default will occur with respect to the payment of such principal and interest.

The District will covenant in the Indenture that, under certain circumstances, 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 has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the City on behalf of the District of the proceeds of sale. The District may adjust the future Special Tax levied on taxable parcels in the District, subject to limitations described above under the caption “THE DISTRICT — Rate and Method of Apportionment,” to provide an amount required to pay interest on and principal of the Bonds, and the amount, if any, necessary to replenish the Reserve Account 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 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 “— Enforcement Delays — Bankruptcy.”

No assurance can be given that the real property subject to sale or foreclosure will be sold, or if sold, that the proceeds of sale will be sufficient to pay any delinquent installments of the Special Tax. The Act does not require the City to purchase or otherwise acquire any lot or parcel of property to be sold at foreclosure if there is no other purchaser at such sale. The Act and the Indenture do specify that the Special Tax will have the same lien priority as for *ad valorem* property taxes in the case of delinquency. Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post judgment interest and authorized costs, unless the consent of the owners of 75% of the Outstanding Bonds is obtained.

Prior to July 1, 1983, the right of redemption from foreclosure sales was limited to a period of one year from the date of sale. Under legislation effective July 1, 1983, the statutory right of redemption from such foreclosure sales has been repealed. However, a period of 20 days must elapse after the date on which the notice of levy of the interest in real property was served on the judgment debtor before the sale of such lot or parcel can be made. Furthermore, if the purchaser at the sale is the judgment creditor (e.g., the District), an action may be commenced by the delinquent property owner within 90 days after the date of sale to set aside such sale. The constitutionality of the aforementioned legislation, which repeals the one year redemption period, has not been tested and there can be no assurance that, if tested, such legislation will be upheld. (Section 701.680 of the Code of Civil Procedure of the State.)

Impact of Economic Conditions on the Development in the District

Certain events and factors which negatively affect the regional, State and national economies could have an adverse effect on the pace at which the current or any future developers in the District can complete the remaining infrastructure and future homes, and demand by, and the ability of individuals to purchase homes within the District. Such events and factors could include rising inflation and interest rates, persistent supply chain issues and global market instability caused by geopolitical events. Any adverse impact of the foregoing and other economic factors on the project in the District and the real estate market in general cannot be predicted.

Increasing Mortgage Interest Rates

Since approximately November 2021, interest rates for mortgage loans have increased significantly. Increases in mortgage interest rates could have a negative impact on the estimated absorption rates of the planned for-sale residential units in the District described herein. With respect to entry-level households, increased mortgage interest rates may adversely impact the affordability of homes and may increase mortgage payment levels for owning a lower-priced home relative to renting a residence, thereby making purchasing less attractive. With respect to move-up households, higher mortgage interest rates may impact the desire of current homeowners to move from their present home due to the fact that their present home likely has a relatively low mortgage interest rate. In addition, in such instances, a new home would likely have a higher interest rate on a new mortgage loan as well as a higher purchase price and property taxes. Such considerations may decrease the desire for move-up households to purchase a new home. The foregoing factors could reduce demand for and/or the ability to achieve the sales prices of the planned for-sale homes within the District as described herein.

Concentration of Ownership

Based on ownership status as of October 23, 2023 (and assuming none of the 18 homes or lots under construction and in escrow close to individual homeowners), individual homeowners and KB Home are expected to be responsible for approximately 62.5% and 37.5%, respectively, of the projected Fiscal Year 2024-25 Special Tax levy.

The timely payment of principal of and interest on the Bonds depends upon the willingness and ability of the current and future property owners in the District to pay the Special Taxes prior to delinquency. General and local economic conditions and governmental requirements or restrictions may affect the willingness of the current property owners, or any successor property owners, to pay the Special Taxes, and there is no assurance that the current property owners, or any successor property owners, will pay such Special Taxes even if financially able to do so. Due to the concentration of ownership of the property within the District, a failure by KB Home or any successor property owner thereto to pay the Special Taxes may result in a default in the payment of debt service on the Bonds. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

See “SOURCES OF PAYMENT FOR THE BONDS — KB Home Letter of Credit” for a description of the letter of credit provided by KB Home to secure the payment of Special Taxes levied on the property in the District owned by KB Home.

Property Values

The value of the property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Special Taxes, the District’s only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Taxes. See “THE DISTRICT — Appraisal Report and Appendix D — APPRAISAL REPORT.”

The Appraiser has estimated, on the basis of certain assumptions and limiting conditions contained in the Appraisal Report, that as of the Date of Value, the market value of the land and improvements within the District was approximately \$72,191,092. See “THE DISTRICT — Appraisal Report.” The Appraisal Report indicates the Appraiser’s opinion as to the market value of the properties referred to therein as of the date and under the conditions specified therein. The Appraiser’s opinion reflects conditions prevailing in the applicable market as of the Date of Value. 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.

Prospective purchasers of the Bonds should not assume that the taxable land within the District could be sold for the appraised amount or for the assessed values at a foreclosure sale for delinquent Special Taxes. In arriving at the estimate of market value of the property in the District, the Appraiser assumes that any sale will be unaffected by undue stimulus and will occur following a reasonable marketing period, which is not always present in a foreclosure sale. See Appendix D 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 taxable land and improvements within the District from the market value estimated by the Appraiser.

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 “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales.*”

Natural Disasters

The District, like all California communities, may be subject to unpredictable seismic activity, fires, flood, or other natural disasters. Southern California is a seismically active area. Seismic activity represents a potential risk for damage to buildings, roads, bridges and property within the District. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event. The property within the District is not located in an Alquist-Priolo Earthquake Study Zone and is not located within one-half mile of an active earthquake fault. Additionally, the District is not located in a flood plain area.

In recent years, wildfires have caused extensive damage throughout the State, including within the County. Certain of these fires have burned thousands of acres and destroyed hundreds and in some cases thousands of homes. In some instances entire neighborhoods have been destroyed. Several fires in recent years damaged or destroyed property in areas that were not previously considered to be at risk from such events.

In 2018, the Holy Fire was a wildfire which burned in the Cleveland National Forest in Orange and Riverside counties. Certain portions of the City were placed under evacuation orders. While no structures within the City were lost as a result of such wildfire, the City incurred significant costs as a result of such event, which costs were substantially reimbursed to the City from the State and federal governments.

The District is not located in an area which the Department of Forestry and Fire Protection of the State of California has designated as a very high fire hazard severity zone, however the District is within the vicinity of property so designated. There is a risk of residential property within the District being destroyed by wildfires and no assurance can be given as to the severity or frequency of wildfires within the vicinity of the District. Additionally, property located adjacent to burn areas can be subject to mudslides and flooding, which can cause significant damage and destruction to property.

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

Hazardous Substances

While government taxes, assessments and charges are a common claim against the value of a parcel, other less common claims may also be relevant. One of the most serious in terms of the potential reduction in the value of a parcel is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions 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 “Super Fund 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 in effect. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of a parcel whether or not the owner (or operator) had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels within the District be affected by a hazardous substance, is to reduce the marketability and value by the costs of remedying the condition.

The District is not aware of the presence of any federally or state classified hazardous substances in violation of any environmental laws, located on the property within the District. However, it is possible that such materials do currently exist and that the District is not aware of them.

It is possible that property in the District may be liable for hazardous substances in the future as a result of the existence, currently, of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or the existence, currently, on the property of a substance not presently classified as hazardous but which may in the future be so classified. Additionally, 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 have the effect of reducing the value of the applicable property.

Enforcement Delays – Bankruptcy

In the event of a delinquency in the payment of the Special Taxes, the District is required to commence enforcement proceedings under the circumstances described under the caption “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales.*” However, prosecution of such proceedings

could be delayed due to crowded local court calendars or by bankruptcy, insolvency and other laws generally affecting creditors' rights (such as the Soldiers' and Sailors' Relief Act of 1940) and by the laws of the State relating to judicial and non-judicial foreclosure. Although bankruptcy proceedings would not cause the liens of the Special Taxes to become extinguished, bankruptcy of a person or entity with an interest in the applicable property could result in a delay in the enforcement proceedings because federal bankruptcy laws provide for an automatic stay of foreclosure and tax sale proceedings. Any such delay could increase the likelihood of delay or default in payment of the principal of and interest on the Bonds. The various legal opinions to be delivered in connection with the issuance of the Bonds, including Bond Counsel's approving legal opinion, are qualified as to the enforceability of the Bonds and the Indenture by reference to bankruptcy, reorganization, moratorium, insolvency and other laws affecting the rights of creditors generally or against public entities such as the District.

Special Tax Delinquencies

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, will be billed to the properties within the District on the regular ad valorem property tax bills sent to owners of such properties by the County 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 THE INDENTURE — COVENANTS AND WARRANTY — Covenants" 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 "— FDIC/Federal Government Interests in Parcels" for a discussion of the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes and assessment and limitations on the District's ability to foreclosure on the lien of the Special Taxes in certain circumstances.

FDIC/Federal Government Interests in Parcels

The ability of the District to collect interest and penalties specified by the Act and to foreclose the lien of delinquent Special Taxes may be limited in certain respects with regard to parcels in which the Federal Deposit Insurance Corporation (the "FDIC"), or other federal government entities such as Fannie Mae or Freddie Mac, has or obtains an interest.

In the case of the FDIC, in the event that any financial institution making a loan which is secured by parcels is taken over by the FDIC and the applicable Special Tax is not paid, the remedies available to the District may be constrained. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that taxes other than *ad valorem* taxes which are secured by a valid lien in effect before the FDIC acquired an interest in a property will be paid unless the FDIC determines that abandonment of its interests is appropriate. The Policy Statement provides that the FDIC generally will not pay installments of non-*ad valorem* taxes which are levied after the time the FDIC acquires its fee interest, nor will the FDIC recognize the validity of any lien to secure payment except in certain cases where the Resolution Trust Corporation had an interest in property on or prior to December 31, 1995. Moreover, the Policy Statement provides that, with respect to parcels on which the FDIC holds a mortgage lien, the FDIC will not permit its lien to be foreclosed out by a taxing authority without its specific consent, nor will the FDIC pay or recognize liens for any penalties, fines or similar claims imposed for the nonpayment of taxes.

The FDIC has taken a position similar to that expressed in the Policy Statement in legal proceedings brought against Orange County in United States Bankruptcy Court and in Federal District Court. The Bankruptcy Court issued a ruling in favor of the FDIC on certain of such claims. Orange County appealed that ruling, and the FDIC cross-appealed. On August 28, 2001, the Ninth Circuit Court of Appeals issued a ruling favorable to the FDIC except with respect to the payment of pre-receivership liens based upon delinquent property tax.

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to parcels in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale would prevent or delay the foreclosure sale.

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

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and 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. For a discussion of risks associated with taxable parcels within the District becoming owned by the federal government, federal government entities or federal government sponsored entities, see “—Insufficiency of Special Tax Revenues.”

The District’s remedies may also be limited in the case of delinquent Special Taxes with respect to parcels in which other federal agencies (such as the Internal Revenue Service and the Drug Enforcement Administration) have or obtain an interest.

Direct and Overlapping Indebtedness

The ability of an owner of property within the District to pay the applicable Special Taxes could be affected by the existence of other taxes and assessments imposed upon taxable parcels. See “THE DISTRICT — Direct and Overlapping Debt” herein. The City and other public agencies whose boundaries overlap those of the District could impose additional taxes or assessment liens on the property within the District in order to finance public improvements or services to be located or provided inside of or outside of such area. The lien created on the property within the District through the levy of such additional taxes may be on a parity with the lien of the Special Taxes applicable to the property within the District.

The imposition of additional liens on a parity with the Special Taxes may reduce the ability or willingness of property owners to pay the Special Taxes and increase the possibility that foreclosure proceeds will not be adequate to pay delinquent Special Taxes. The District will covenant in the Indenture not to issue Parity Bonds other than for refunding all of a portion of the Bonds or Parity Bonds.

Payment of Special Taxes is not a Personal Obligation of the Property Owners

An owner of a taxable parcel is not personally obligated to pay Special Taxes. Rather, Special Taxes are 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 Special Taxes, the District has no recourse against the property owner.

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.

Limited Obligations

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

The District's legal obligations with respect to any delinquent Special Taxes are limited to: (i) payments from the Reserve Account to the extent of funds on deposit therein; and (ii) the institution of judicial foreclosure proceedings under certain circumstances with respect to any parcels for which Special Taxes are delinquent. See the caption "SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales.*" The Bonds cannot be accelerated in the event of any default.

The obligation to pay Special Taxes does not constitute a personal obligation of the current or subsequent owners of the respective parcels which are subject to such liens. See the caption "— Payment of the Special Tax is Not a Personal Obligation of the Property Owners." Enforcement of Special Tax payment obligations by the District is limited to judicial foreclosure in the Superior Court of California, County of Riverside. There is no assurance that any current or subsequent owner of a parcel subject to a Special Tax lien will be able to pay the amounts due or that such owner will choose to pay such amounts even though financially able to do so.

Failure by owners of the parcels to pay Special Tax installments when due, delay in foreclosure proceedings, or the inability of the District to sell parcels that have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent installments of Special Taxes levied against such parcels may result in the inability of the District to make full or timely payments of debt service on the Bonds, which may in turn result in the depletion of the Reserve Account. See the caption "— Enforcement Delays — Bankruptcy."

Ballot Initiatives

Articles XIII A, XIII B, XIII C, and XIII D of the California Constitution were adopted pursuant to measures qualified for the ballot pursuant to the State's constitutional initiative process. From time to time, other initiative measures could be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State, the City, or other local agencies to increase revenues or to increase appropriations.

Proposition 218

An initiative measure entitled "The Right to Vote on Taxes Act" ("Proposition 218") was approved by the voters at the November 5, 1996 statewide general election. Among other things, Proposition 218 added a new Article XIII C to the California Constitution which 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. While the application of Proposition 218 in this context has not yet been interpreted by the courts and the matter is not completely free from doubt, it is not likely that Proposition 218 has conferred on the voters the power to effect a repeal or reduction of the Special Tax if the result thereof would be to impair the security of the Bonds.

It may be possible, however, for voters or the City Council, acting as the legislative body of the District, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Therefore, no assurance can be given with respect to the future levy of Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. 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 for the District, unless, in connection therewith, (i) such changes do not reduce the maximum Special Taxes that may be levied in each year on property within the District to an amount which is less than the Administrative Expenses Cap plus 110% of the Annual Debt Service due in each corresponding future Bond Year with respect to the Bonds and Parity Bonds Outstanding as of the date of such proposed reduction; and (ii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds. The District also will covenant that, in the event an initiative is adopted which purports to reduce or otherwise 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.

Litigation with Respect to Community Facilities Districts

Shapiro. The California Court of Appeal, Fourth Appellate District, Division One, issued its opinion in *City of San Diego v. Melvin Shapiro* (2014) 228 Cal.App.4th 756 (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.

Horizon. The Sacramento County Superior Court issued a ruling in *Horizon Capital Investments, LLC v. City of Sacramento et al.* (Case No. 34-2017-80002661), which was a case involving an election to approve the levy of a special tax within a community facilities district (“CFD”) formed under the Act.

In 2017, the City of Sacramento initiated proceedings to form a CFD to finance certain costs to operate and maintain a streetcar line. As permitted by the Act, the proposed district included non-contiguous parcels of non-residential property. Because there were fewer than 12 registered voters residing within the territory of the proposed CFD, the City Council submitted the special tax proposed to be levied within the proposed CFD to the owners of land within the proposed CFD, as required by the Act. The proposed special tax received the requisite two-thirds vote in the landowner election.

Petitioners Horizon Capital Investments, LLC et al. filed a writ of mandate and complaint for reverse validation and declaratory relief. Petitioners argued, and the superior court agreed in its final ruling, that under section 4(a) of article XIII A of the California Constitution (which provides that “Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district [sic], may impose special taxes on such district...”) the phrase “qualified electors” means the registered voters of the entire City of Sacramento and not just the owners of the property within the boundaries of the proposed CFD. Citing the San Diego Decision, the tentative ruling states that the phrase “qualified electors of the district” refers to the registered voters of the entity imposing the special tax, which in this case was the City of Sacramento. Because the vote within the proposed CFD was by landowners only and not by all registered voters in the City of Sacramento, the final ruling states that the special tax is invalid.

The superior court’s final ruling is not binding upon other courts within the State and does not directly apply to the District, the Special Taxes, or the Bonds. The City of Sacramento did not appeal the superior court’s ruling.

The Special Tax Election in the District. With respect to the San Diego Decision, the facts of such case show that there were thousands of registered voters within the CCFD (*viz.*, all of the registered voters in San Diego). The elections held in the District had less than 12 registered voters at the time of the election to authorize the Special Taxes. 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 in the San Diego Decision does not apply to the Special Tax election in the District. Moreover, Section 53341 of the Act provides that any “action or proceeding to attack, review, set aside, void or annul the levy of a special tax...shall be commenced within 30 days after the special tax is approved by the voters.” Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds. The petitioners in *Horizon* filed the writ of mandate within 30 days of the landowner election. Voters in the District approved the Special Tax to be levied in accordance with the Rate and Method on June 23, 2020. Based on Sections 53341 and 53359 of the Act and analysis of existing laws, regulations, rulings and court decisions, the District believes that no successful challenge to the Special Tax being levied in accordance with the Rate and Method may now be brought. In connection with the issuance of the Bonds, Bond Counsel expects to deliver its opinion in the proposed form attached hereto as Appendix C.

Loss of Tax Exemption

As discussed under the heading “TAX MATTERS,” interest on the Bonds could cease to be excluded from 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 or the City. In addition, it is possible that future changes in applicable federal tax laws could cause interest on the Bonds to be included in gross income for federal income taxation or could otherwise reduce the equivalent taxable yield of such interest and thereby reduce the value of the Bonds.

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.

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the District has committed to provide certain financial and operating information, there can be no assurance that such information will be available to Bond owners on a timely basis. The failure to provide the required annual financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, 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.

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 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.

Potential Early Redemption of Bonds from Prepayments or Community Facilities District Bond Proceeds

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

Cybersecurity

The City, like many other public and private entities, rely on computer and other digital networks and systems to conduct their operations. The City is potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. No assurance can be given that the efforts of the City to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the City, or the administration of the Bonds. The City is also reliant on other entities and service providers in connection with the administration of the Bonds, including without limitation the County tax collector for the levy and collection of Special Taxes and the Trustee. No assurance can be given that the City and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

CONTINUING DISCLOSURE

District Continuing Disclosure

Pursuant to a Continuing Disclosure Certificate, dated as of January 1, 2024 (the "Disclosure Certificate"), to be executed and delivered by the District at the time of issuance of the Bonds, the District will covenant for the benefit of the holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District by February 15 following the end of the District's Fiscal Year (currently its Fiscal Year ends on June 30) (the "Annual Report"), commencing with the report for the Fiscal Year ending June 30, 2023, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the District with EMMA. The initial Annual Report to be filed by February 15, 2024, shall consist of this Official Statement. The specific nature of the information to be contained in the Annual Report and the notice of enumerated events is set forth in Appendix F

—“FORM OF DISTRICT CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with subsection (b)(5) of Rule 15c2-12.

The District has not had any continuing disclosure undertakings outstanding during the previous five-year period. Although the City and its affiliated entities other than the District (such as the Lake Elsinore Facilities Financing Authority, the Lake Elsinore Public Financing Authority, the City’s former redevelopment agency and its successor agency (the “Agency”), and other community facilities districts formed by the City) are not obligated persons pursuant to Rule 15c2-12 with respect to the Bonds, during the last five years the City and such affiliated entities failed to comply in certain respects with continuing disclosure obligations related to outstanding bonded indebtedness (the City Council of the City serves as the governing board of the Lake Elsinore Facilities Financing Authority, the Lake Elsinore Public Financing Authority, the Agency and all of the City’s community facilities districts). The failures to comply include late filings with respect to several annual reports, and failure to provide notice of late annual financial information, more specifically:

(1) Updated tabular and other operating information relating to the City, the Agency and community facilities districts for Fiscal Years 2018-19 and 2019-20 were filed late.

(2) Failure to provide notices of the late filing of certain of the annual financial information that is described in item (1) above.

(3) Several of the annual reports included incomplete information relating to community facilities districts, including tax prepayment information, improvement fund balances and special tax delinquency information.

The City and its affiliated entities have made additional filings to provide certain of the previously omitted information.

The City has retained Spicer Consulting Group, LLC to serve as Dissemination Agent for the continuing disclosure undertaking related to the Bonds, and has adopted policies and procedures with respect to its continuing disclosure practices.

Developer Continuing Disclosure

The Underwriter does not consider KB Home to be an “obligated person” with respect to the Bonds for purposes of the Rule. Notwithstanding the foregoing, to provide updated information with respect to the development within the District, KB Home will execute a Continuing Disclosure Certificate of the Developer (the “Developer Continuing Disclosure Certificate”) pursuant to which it will covenant to provide semiannual reports until satisfaction of certain conditions set forth in the Developer Continuing Disclosure Certificate. The semiannual reports to be provided by KB Home will contain updates regarding the development within the District as outlined in Section 4 of the Developer Continuing Disclosure Certificate attached as APPENDIX G. In addition to its semiannual reports, KB Home will agree to provide notices of certain events set forth in the Developer Continuing Disclosure Certificate.

KB Home’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 KB Home has conveyed 143 residential units in the District to individual homeowners.

TAX EXEMPTION

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (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. However, it should be noted that for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”), generally certain corporations with more than \$1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

The excess of the stated redemption price at maturity of a Bond over the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Beneficial Owner will increase the Beneficial Owner’s basis in the applicable Bond.

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

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

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

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

ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

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

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

Should interest on the Bonds (including 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 OPINION

The legal opinion of Bond Counsel approving the validity of the Bonds, in substantially the form set forth as Appendix C hereto, will be made available to purchasers of the Bonds at the time of original delivery of the Bonds. Certain legal matters will be passed upon for the City and the District by Leibold, McClendon, & Mann, Irvine, California, City Attorney, and for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel, for the Underwriter by Kutak Rock LLP, Irvine, California, and for the Trustee by its counsel. Bond Counsel undertakes no responsibility to the purchasers of the Bonds for the accuracy, completeness or fairness of this Official Statement.

ABSENCE OF LITIGATION

In connection with the issuance of the Bonds, the City Attorney will deliver an opinion to the effect that, to their actual knowledge, after due inquiry and investigation, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, or any unfavorable decision, ruling or finding, against or affecting the District, which would adversely impact the District's ability to complete the transactions described in, or contemplated by, the Indenture or this Official Statement, restrain or enjoin the collection of the Special Taxes, or in any way contest or affect the validity of the Bonds, the Indenture, the Special Taxes, or the transactions described herein.

NO RATING

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

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at a price of \$ _____ (being the \$ _____ aggregate principal amount of the Bonds, less an Underwriter’s discount of \$ _____ and less net original issue discount of \$ _____). The Bond 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 being subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriter’s compensation is contingent upon the successful issuance of the Bonds.

Under certain circumstances, the Underwriter may offer and sell the Bonds to certain dealers and others at prices lower or yields higher than those stated on the page immediately following the cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

FINANCIAL INTERESTS

The fees being paid to the Underwriter and its counsel, Bond Counsel, Disclosure Counsel and the Trustee are contingent upon the issuance and delivery of the Bonds. From time to time, Stradling Yocca Carlson & Rauth, a Professional Corporation, represents the Underwriter on matters unrelated to the Bonds.

MUNICIPAL ADVISOR

The District has retained Urban Futures, Inc., Walnut Creek, California, as Municipal Advisor for the sale of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

Urban Futures, Inc., is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion, assumptions, projections, anticipated events or estimates, whether or not expressly stated, they are set forth as such and not as presentations of fact, and actual results may differ substantially from those set forth therein. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the Owners of the Bonds.

The summaries of certain provisions of the Bonds, statutes and other documents or agreements referred to in this Official Statement do not purport to be complete, and reference is made to each of them for a complete statement of their provisions. Copies are available for review by making requests to the City.

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

CITY OF LAKE ELSINORE COMMUNITY FACILITIES
DISTRICT NO. 2006-4 (ROSETTA HILLS)

By: _____
City Manager of the City of Lake Elsinore

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

CITY OF LAKE ELSINORE COMMUNITY FACILITIES DISTRICT NO. 2006-4 (ROSETTA HILLS)

A Special Tax (all capitalized terms are defined in Section A, “Definitions”, below) shall be applicable to each Assessor’s Parcel of Taxable Property located within the boundaries of the City of Lake Elsinore Community Facilities District No. 2006-4 (Rosetta Hills) (“CFD No. 2006-4”). The amount of Special Tax to be levied in each Fiscal Year on an Assessor’s Parcel shall be determined by the City Council of the City of Lake Elsinore, acting in its capacity as the legislative body of CFD No. 2006-4, by applying the appropriate Special Tax for Developed Property, Approved Property, Undeveloped Property, and Provisional Undeveloped Property that is not Exempt Property as set forth below. All of the real property, unless exempted by law or by the provisions hereof in Section F, 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 or instrument. The square footage of an Assessor’s Parcel is equal to the Acreage multiplied by 43,560.

“**Act**” means the Mello-Roos Communities Facilities Act of 1982, as amended, being Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the Government Code of the State of California.

“**Administrative Expenses**” means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2006-4, including but not limited to: the costs of computing the Special Taxes and preparing the Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the City or otherwise); the costs of remitting Special Taxes to the Trustee; the costs of the Trustee (including legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2006-4 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2006-4 or any designee thereof of complying with disclosure requirements of the City, CFD No. 2006-4 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 City, CFD No. 2006-4 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; and the City’s annual administration fees and third party expenses. Administration Expenses shall also include amounts estimated by the CFD Administrator or advanced by the City or CFD No. 2006-4 for any other administrative purposes of CFD No. 2006-4, including attorney’s fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

“**Amended Boundary Map**” means a recorded map of the CFD which indicates the boundaries of the CFD and amends the Original Boundary Map.

“**Approved Property**” means all Assessor’s Parcels of Taxable Property: (i) that are included in a Final Map that was recorded prior to the January 1st preceding the Fiscal Year in which the Special Tax is being levied, (ii) and has an assigned Assessor’s Parcel Number from the County shown on an Assessor’s Parcel Map for the individual lot included on the Final Map, and (iii) that have not been issued a building permit on or before May 1st preceding the Fiscal Year in which the Special Tax is being levied.

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

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

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

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

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

“Bonds” means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, to which Special Tax of CFD No. 2006-4 have been pledged.

“Building Permit” means the first legal document issued by a local agency giving official permission for new construction. For purposes of this definition, “Building Permit” may or may not include any subsequent building permit document(s) authorizing new construction on an Assessor’s Parcel that are issued or changed by the City after the first original issuance, as determined by the CFD Administrator as necessary to fairly allocate Special Tax to the Assessor’s Parcel, provided that following such determination the Maximum Special Tax that may be levied on all Assessor’s Parcels of Taxable Property will be at least 1.1 times maximum annual debt service on all outstanding Bonds plus the estimated annual Administrative Expenses.

“Building Square Footage” or **“BSF”** means the square footage of assessable internal living space, exclusive of garages or other structures not used as living space, as determined by reference to the Building Permit for such Assessor’s Parcel.

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

“CFD Administrator” means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement, and providing for the levy and collection of the Special Taxes.

“CFD” or **“CFD No. 2006-4”** means Community Facilities District No. 2006-4 (Rosetta Hills) established by the City under the Act.

“City” means the City of Lake Elsinore.

“City Council” means the City Council of the City of Lake Elsinore, acting as the Legislative Body of CFD No. 2006-4.

“Condominium Plan” means a condominium plan as set forth in the California Civil Code, Section 4285.

“County” means the County of Riverside.

“Developed Property” means all Assessor’s Parcels of Taxable Property that: (i) are included in a Final Map that was recorded prior to the January 1st preceding the Fiscal Year in which the Special Tax is being levied, and (ii) has an Assessor’s Parcel Number from the County shown on an Assessor’s Parcel Map for the individual lot included on the Final Map, and (iii) a Building Permit for new construction was issued on or before May 1st preceding the Fiscal Year in which the Special Tax is being levied.

“Exempt Property” means all Assessor’s Parcels designated as being exempt from Special Taxes as provided for in Section F.

“Final Map” means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a Condominium Plan pursuant to California Civil Code Section 1352 that creates individual lots for which Building Permits may be issued without further subdivision.

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

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

“Land Use Category” means any of the categories listed in Table 1 and Table 2 of Section D.

“Maximum Special Tax” means for each Assessor’s Parcel, the maximum Special Tax, determined in accordance with Section D below, that can be levied by CFD No. 2006-4 in any Fiscal Year on such Assessor’s Parcel.

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

“Non-Residential Property” or **“NR”** means all Assessor’s Parcels of Taxable Property for which a building permit(s) was issued for a non-residential use. The CFD Administrator shall make the determination if an Assessor’s Parcel is Non-Residential Property.

“Original Boundary Map” means a recorded map of the CFD which indicates the original boundaries of the CFD recorded in book 67 of maps of assessment and community facilities district page 9 as instrument no. 2006-0456002 recorded with the County.

“Partial Prepayment Amount” means the amount required to prepay a portion of the Special Tax obligation for an Assessor’s Parcel, as described in Section G.2.

“Prepayment Amount” means the amount required to prepay the Special Tax obligation in full for an Assessor’s Parcel, as described in Section G.1.

“Proportionately” means for Taxable Property that is (i) Developed Property, that the ratio of the actual Special Tax levy to the Assigned Special Tax is the same for all Assessor’s Parcels of Developed Property, (ii) Approved Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax is the same for all Assessor’s Parcels of Approved Property, and (iii) Undeveloped Property, or Provisional Undeveloped Property, that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is the same for all Assessor’s Parcels of Undeveloped Property, or Provisional Undeveloped Property, as applicable.

“Provisional Undeveloped Property” means all Assessor’s Parcels of Taxable Property that would otherwise be classified as Exempt Property pursuant to the provisions of Section F, but cannot be classified as Exempt Property because to do so would be reduce the Acreage of all Taxable Property below the required minimum Acreage set forth in Sections F.

“Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more Residential Units.

“Residential Unit” or **“RU”** means a residential unit that is used or intended to be used as a domicile by one or more persons, as determined by the CFD Administrator.

“Single Family Residential Property” means all Assessor’s Parcels of Residential Property other than Multifamily Property.

“Special Tax” means any of the special taxes authorized to be levied within CFD No. 2006-4 pursuant to the Act to fund the Special Tax Requirement.

“Special Tax Requirement” means the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds due in the Calendar Year that commences in such Fiscal Year, (ii) Administrative Expenses, (iii) the costs associated with the release of funds from an escrow account, (iv) any amount required to replenish any reserve funds established in association with the Bonds, (v) an amount equal to any anticipated shortfall due to Special Tax delinquencies, and (vi) for the collection or accumulation of funds for the acquisition or construction of facilities authorized by CFD No. 2006-4 or the payment of debt services on Bonds anticipated to be issued, provided that the inclusion of such amount does not cause an increase in the levy of Special Tax on Approved Property or Undeveloped Property as set forth in Steps Two or Three of Section E., less (vii) any amounts available to pay debt service or other periodic costs on the Bonds pursuant to the Indenture.

“Taxable Property” means all Assessor’s Parcels within CFD No. 2006-4, which are not Exempt Property.

“Taxable Unit” means either a Residential Unit or an Acre.

“Tax Zone(s)” means the geographical area(s) identified as Tax Zone A or Tax Zone B as shown on the Amended Boundary Map.

“Tax Zone A” means all property located within the specific area identified on the Amended Boundary Map as Tax Zone A.

“Tax Zone B” means all property located within the specific area identified on the Amended Boundary Map as Tax Zone B.

“Tract(s)” means an area of land within a subdivision identified by a particular tract number on a Final Map approved for the subdivision.

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

“Undeveloped Property” means all Assessor’s Parcels of Taxable Property which are not Developed Property, Approved Property, Provisional Undeveloped Property.

B. SPECIAL TAX

Commencing Fiscal Year 2020-2021 and for each subsequent Fiscal Year, the City Council shall levy Special Taxes on all Taxable Property, up to the applicable Maximum Special Tax, to fund the Special Tax Requirement.

C. ASSIGNMENT TO LAND USE CATEGORY FOR SPECIAL TAX

Each Fiscal Year, beginning with Fiscal Year 2020-2021, each Assessor’s Parcel within CFD No. 2006-4 shall be classified as Taxable Property or Exempt Property. In addition, each Assessor’s Parcel of Taxable Property shall be further classified as Developed Property, Approved Property, Undeveloped Property or Provisional Undeveloped Property shall be further classified as being in within Tax Zone A or Tax Zone B.

Assessor’s Parcels of Developed Property shall further be classified as Residential Property or Non-Residential Property. Each Assessor’s Parcel of Residential Property shall further be classified as a Single Family

Residential Property, or Multifamily Property. Each Assessor’s Parcel of Single Family Residential Property shall be further categorized into Land Use Categories based on its Building Square Footage and assigned to its appropriate Assigned Special Tax rate.

In the event that an Assessor’s Parcel for which one or more Building Permits have been issued and the County has not yet assigned final Assessor’s Parcel Number(s) to the Residential Unit(s) (in accordance with the Final Map or Condominium Plan) on such Assessor’s Parcel, the amount of the Special Tax levy on such Assessor’s Parcel for each Fiscal Year shall be determined as follows: (1) the CFD Administrator shall first determine an amount of the Maximum Special Tax levy for such Assessor’s Parcel, based on the classification of such Assessor’s Parcel as Undeveloped Property; (2) the amount of the Special Tax levy for the Residential Units on such Assessor’s Parcel for which Building Permits have been issued shall be determined based on the Developed Property Special Tax rates and shall be taxed as Developed Property in accordance with Step 1 of Section E below; and (3) the amount of the Special Tax levy on the Taxable Property in such Assessor’s Parcel not subject to the Special Tax levy in clause (2) shall be equal to: (A) the percentage of the Maximum Special Tax rate levied on all other Undeveloped Property multiplied by the total of the amount determined in clause (1), less the amount determined in clause (2).

D. MAXIMUM SPECIAL TAX

1. Developed Property

The Maximum Special Tax for each Assessor’s Parcel of Single Family Residential Property in any Fiscal Year shall be the greater of (i) the Assigned Special Tax or (ii) the Backup Special Tax.

The Maximum Special Tax for each Assessor’s Parcel of Non-Residential Property or Multifamily Residential Property within the boundaries of the CFD shall be the applicable Assigned Special Tax described in Table 1 or Table 2 of Section D.

a. Assigned Special Tax

Each Fiscal Year, each Assessor’s Parcel of Single Family Residential Property, Multifamily Property, or Non-Residential Property shall be subject to an Assigned Special Tax. The Assigned Special Tax applicable to an Assessor's Parcel of Developed Property shall be determined pursuant to Table 1 and Table 2 below.

**TABLE 1
ASSIGNED SPECIAL TAX FOR
DEVELOPED PROPERTY WITHIN TAX ZONE A**

Land Use Category	Taxable Unit	Building Square Footage	Assigned Special Tax Per Taxable Unit
1. Single Family Residential Property	RU	Less than 1,800 sq. ft	\$1,463.00
2. Single Family Residential Property	RU	1,800 sq. ft to 2,100 sq. ft	\$1,617.00
3. Single Family Residential Property	RU	2,101 sq. ft to 2,400 sq. ft	\$1,702.00
4. Single Family Residential Property	RU	Greater than 2,400 sq. ft	\$1,805.00
5. Multifamily Property	Acre	N/A	\$10,868.00
6. Non-Residential Property	Acre	N/A	\$10,868.00

On each July 1, commencing July 1, 2021, the Assigned Special Tax rate for Developed Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

TABLE 2
ASSIGNED SPECIAL TAX FOR
DEVELOPED PROPERTY WITHIN TAX ZONE B

Land Use Category	Taxable Unit	Building Square Footage	Assigned Special Tax Per Taxable Unit
1. Single Family Residential Property	RU	Less than 1,800 sq. ft	\$1,463.00
2. Single Family Residential Property	RU	1,800 sq. ft to 2,100 sq. ft	\$1,617.00
3. Single Family Residential Property	RU	2,101 sq. ft to 2,400 sq. ft	\$1,702.00
4. Single Family Residential Property	RU	Greater than 2,400 sq. ft	\$1,805.00
5. Multifamily Property	Acre	N/A	\$8,555.00
6. Non-Residential Property	Acre	N/A	\$8,555.00

On each July 1, commencing July 1, 2021, the Assigned Special Tax rate for Developed Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

b. Multiple Land Use Categories

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Type. The Maximum Special Tax levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax for all Land Use Categories located on the Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

c. Backup Special Tax

When a Final Map is recorded, the CFD Administrator shall determine which Tax Zone the Final Map area lies within and the Backup Special Tax for an Assessor's Parcel within a Final Map classified or to be classified as Single Family Property shall be calculated according to the following formula.

$$B = (U \times A) / L$$

The terms above have the following meanings:

B = Backup Special Tax per Assessor's Parcel within the Final Map

U = Maximum Special Tax per Acre of Undeveloped Property per Section D.3 below

A = Acreage of Single Family Residential Property expected to exist in such Final Map at the time of calculation, as determined by the Administrator

L = Number of Residential Units expected to exist in such Final Map at the time of calculation, as determined by the Administrator.

In the event any portion of the Final Map is changed or modified, the Backup Special Tax for all Assessor's Parcels within such changed or modified area shall be \$10,868 per Acre for Tax Zone A and \$8,555 for Tax Zone B.

In the event any superseding Final Map is recorded as a Final Map within the Boundaries of the CFD, the Backup Special Tax for all Assessor's Parcels within such Final Map shall be \$10,868 per Acre for Tax Zone A and \$8,555 for Tax Zone B. The Backup Special Tax shall not apply to Multifamily Residential Property, or Non-Residential Property.

On each July 1, commencing July 1, 2021, the Backup Special Tax rate shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

2. Approved Property

The Maximum Special Tax for each Assessor’s Parcel of Approved Property expected to be classified as Single Family Property shall be the Backup Special Tax computed pursuant to Section D.1.c above.

The Maximum Special Tax for each Assessor’s Parcel of Approved Property expected to be classified as Multifamily Residential Property or Non-Residential Property shall \$10,868 per Acre for Tax Zone A and \$8,555 for Tax Zone B.

On each July 1, commencing July 1, 2021, the Maximum Special Tax rate for Approved Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

3. Undeveloped Property and Provisional Undeveloped Property that is not Exempt Property pursuant to the provisions of Section F

The Maximum Special Tax for each Assessor’s Parcel of Undeveloped Property and Provisional Undeveloped Property that is not Exempt Property is shown in Table 3 below.

**TABLE 3
UNDEVELOPED PROPERTY AND PROVISIONAL UNDEVELOPED PROPERTY
MAXIMUM SPECIAL TAX**

Tax Zone	Maximum Special Tax Per Acre
A	\$10,868
B	\$8,555

On each July 1, commencing July 1, 2021, the Maximum Special Tax rate for Undeveloped and Provisional Undeveloped Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

E. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing Fiscal Year 2020-2021 and for each subsequent Fiscal Year, the City Council shall levy Special Taxes on all Taxable Property in accordance with the following steps:

- Step One: 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 rates needed to satisfy the Special Tax Requirement.
- Step Two: If additional moneys 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 applicable to each such Assessor’s Parcel as needed to satisfy the Special Tax Requirement.
- Step Three: If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Annual Special Tax shall be levied Proportionately on each Assessor’s Parcel of Undeveloped Property up to 100% of the Maximum Special Tax applicable to each such Assessor’s Parcel as needed to satisfy the Special Tax Requirement.
- Step Four: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax levy on each Assessor's Parcel of Developed

Property for which the Maximum Special Tax is the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to 100% of the Backup Special Tax as needed to satisfy the Special Tax Requirement.

Step Five: If additional moneys 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 Provisional Undeveloped Property up to 100% of the Maximum Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.

Notwithstanding the above, under no circumstances will the Special Taxes levied in any Fiscal Year against any Assessor's Parcel of Residential Property as a result of a delinquency in the payment of the Special Tax applicable to any other Assessor's Parcel be increased by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquency or default.

F. EXEMPTIONS

The City shall classify as Exempt Property within the applicable Tax Zone, in the following order of priority, (i) Assessor's Parcels which are owned by, irrevocably offered for dedication, encumbered by or restricted in use by the State of California, Federal or other local governments, including school districts, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels which are owned by, irrevocably offered for dedication, encumbered by or restricted in use by a homeowners' association, (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, (v) Assessor's Parcels which are privately owned and are encumbered by or restricted solely for public uses, or (vi) Assessor's Parcels restricted to other types of public uses determined by the City Council, provided that no such classification would reduce the sum of all Taxable Property to less than 23.92 Acres in Tax Zone A and 3.85 Acres in Tax Zone B.

Notwithstanding the above, the City Council shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property to less than 23.92 Acres in Tax Zone A and 3.85 Acres in Tax Zone B. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 23.92 Acres in Tax Zone A and 3.85 Acres in Tax Zone B will be classified as Provisional Undeveloped Property, and will be subject to Special Tax pursuant to Step Five in Section E.

G. PREPAYMENT OF SPECIAL TAX

The following additional definitions apply to this Section G:

"CFD Public Facilities" means \$4,500,000 expressed in 2020 dollars, which shall increase by the Construction Inflation Index on July 1, 2021, and on each July 1 thereafter, or such lower amount (i) determined by the City Council as sufficient to provide the public facilities under the authorized bonding program for CFD No. 2006-4, or (ii) determined by the City Council 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.

"Construction Fund" means an account specifically identified in the Indenture or functionally equivalent to hold funds, which are currently available for expenditure to acquire or construct public facilities eligible to be financed by CFD No. 2006-4.

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

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

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

1. Prepayment in Full

The Maximum Special Tax obligation may be prepaid and permanently satisfied for (i) Assessor’s Parcels of Developed Property, (ii) Assessor’s Parcels of Approved Property or Undeveloped Property for which a Building Permit has been issued, (iii) Approved Property or Undeveloped Property for which a Building Permit has not been issued and (iv) Assessor’s Parcels of Public Property or Property Owner’s Association Property, or Provisional Undeveloped Property that are not Exempt Property pursuant to Section F. The Maximum Special Tax obligation applicable to an Assessor’s Parcel may be fully prepaid and the obligation to pay the Special Tax for such Assessor’s Parcel permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor’s Parcel at the time of prepayment. An owner of an Assessor’s Parcel intending to prepay the Maximum Special Tax obligation for such Assessor’s Parcel shall provide the CFD Administrator with written notice of intent to prepay, and within 5 business days of receipt of such notice, the CFD Administrator shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the CFD in calculating the Prepayment Amount (as defined below) for the Assessor’s Parcel. Within 15 days of receipt of such non-refundable deposit, the CFD Administrator shall notify such owner of the Prepayment Amount for the Assessor’s Parcel. Prepayment must be made not less than 60 days prior to the redemption date for any Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

The Prepayment Amount (defined below) shall be calculated as follows (capitalized terms are defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
Equals:	Prepayment Amount

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

1. Confirm that no Special Tax delinquencies apply to such Assessor’s Parcel.
2. For an Assessor’s Parcel of Developed Property, compute the Maximum Special Tax for the Assessor’s Parcel. For an Assessor’s Parcel of Approved Property or Undeveloped Property for which a Building Permit has been issued, compute the Maximum Special Tax for the Assessor’s Parcel as though it was already designated as Developed Property, based upon the Building Permit which has been issued for the Assessor’s Parcel. For an Assessor’s Parcel of Approved Property or Undeveloped Property for which a Building Permit has not been issued, Public Property, Property Owner’s Association Property, or Provisional Undeveloped Property to be prepaid compute the Maximum Special Tax for the Assessor’s Parcel.
3. Divide the Maximum Special Tax derived pursuant to paragraph 2 by the total amount of Special Taxes that could be levied at the Maximum Special Tax at build out of all Assessor’s Parcels of Taxable Property based on the applicable Maximum Special Tax for Assessor’s Parcels of Developed Property not

including any Assessor's Parcels for which the Special Tax obligation has been previously prepaid.

4. Multiply the quotient derived pursuant to paragraph 3 by the principal amount of the Outstanding Bonds to determine the amount of Outstanding Bonds to be redeemed with the Prepayment Amount (the "Bond Redemption Amount").
5. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
6. Determine the Future Facilities Costs.
7. Multiply the quotient derived pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to determine the amount of Future Facilities Costs for the Assessor's Parcel (the "Future Facilities Amount").
8. Determine the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds on which Bonds can be redeemed from Special Tax prepayments.
9. Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.
10. Determine the amount the CFD Administrator reasonably expects to derive from the investment of the Bond Redemption Amount and the Redemption Premium from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the Prepayment Amount.
11. Add the amounts derived pursuant to paragraphs 8 and 9 and subtract the amount derived pursuant to paragraph 10 (the "Defeasance Amount").
12. Verify the administrative fees and expenses of the CFD, including the cost of computation of the Prepayment Amount, the cost to invest the Prepayment Amount, the cost of redeeming the Outstanding Bonds, and the cost of recording notices to evidence the prepayment of the Maximum Special Tax obligation for the Assessor's Parcel and the redemption of Outstanding Bonds (the "Administrative Fees and Expenses").
13. The reserve fund credit (the "Reserve Fund Credit") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
14. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance Amount and the Administrative Fees and Expenses, less the Reserve Fund Credit.
15. From the Prepayment Amount, the Bond Redemption Amount, the Redemption Premium, and Defeasance Amount shall be deposited into the appropriate fund as established under the Indenture and be used to redeem Outstanding Bonds or make debt service payments. The Future Facilities Amount shall be deposited into the Construction Fund. The Administrative Fees and Expenses shall be retained by the CFD.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such event, the increment above \$5,000 or an integral multiple thereof will be retained in the appropriate fund established

under the Indenture to be used with the next redemption from other Special Tax prepayments of Outstanding Bonds or to make debt service payments.

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

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Tax that may be levied on all Assessor's Parcels of Taxable Property after the proposed prepayment will be at least 1.1 times maximum annual debt service on the Bonds that will remain outstanding after the prepayment plus the estimated annual Administrative Expenses.

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

2. Prepayment in Part

The Maximum Special Tax obligation for an Assessor's Parcel of Developed Property, Approved Property or Undeveloped Property may be partially prepaid. For purposes of determining the partial prepayment amount, the provisions of Section G.1 shall be modified as provided by the following formula:

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

These terms have the following meaning:

PP = Partial Prepayment Amount

P_E = the Prepayment Amount calculated according to Section G.1

F = the percent by which the owner of the Assessor's Parcel(s) is partially prepaying the Maximum Special Tax obligation

A = the Administrative Fees and Expenses determined pursuant to Section G.1

The owner of an Assessor's Parcel who desires to partially prepay the Maximum Special Tax obligation for the Assessor's Parcel shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Maximum Special Tax obligation, (ii) the percentage of the Maximum Special Tax obligation such owner wishes to prepay, and (iii) the company or agency that will be acting as the escrow agent, if any. Within 5 days of receipt of such notice, the CFD Administrator shall notify such property owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the CFD in calculating the amount of a partial prepayment. Within 15 business days of receipt of such non-refundable deposit, the CFD Administrator shall notify such owner of the amount of the Partial Prepayment Amount for the Assessor's Parcel. A Partial Prepayment Amount must be made not less than 60 days prior to the redemption date for the Outstanding Bonds to be redeemed with the proceeds of the Partial Prepayment Amount.

With respect to any Assessor's Parcel for which the Maximum Special Tax obligation is partially prepaid, the CFD Administrator shall (i) distribute the Partial Prepayment Amount as provided in Paragraph 15 of Section G.1, and (ii) indicate in the records of the CFD that there has been a Partial Prepayment for the Assessor's Parcel and that a portion of the Maximum Special Tax obligation equal to the remaining percentage (1.00 - F) of the Maximum Special Tax obligation will continue to be levied on the Assessor's Parcel pursuant to Section E.

H. TERMINATION OF SPECIAL TAX

For each Fiscal Year that any Bonds are outstanding the Special Tax shall be levied on all Assessor's Parcels subject to the Special Tax. The Special Tax shall cease not later than the 2059-2060 Fiscal Year, however, Special Tax will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined (i) that all the required interest and principal payments on the CFD No. 2006-4 Bonds have been paid; (ii) all authorized facilities of CFD No. 2006-4 have been acquired and all reimbursements to the developer have been paid, (iii) no delinquent Special Tax remain uncollected and (iv) all other obligations of CFD No. 2006-4 have been satisfied.

I. MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that CFD No. 2006-4 may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

J. APPEALS OF SPECIAL TAXES

Any taxpayer may file a written appeal of the Special Taxes on his/her Assessor's Parcel(s) with the CFD Administrator, provided that the appellant is current in his/her payments of Special Taxes. During pendency of an appeal, all Special Taxes previously levied must be paid on or before the payment date established when the levy was made. The appeal must specify the reasons why the appellant claims the Special Tax is in error. The CFD Administrator shall review the appeal, meet with the appellant if the CFD Administrator deems necessary, and advise the appellant of its determination. If the CFD Administrator agrees with the appellant, the CFD Administrator shall grant a credit to eliminate or reduce future Special Taxes on the appellant's Assessor's Parcel(s). No refunds of previously paid Special Taxes shall be made.

The CFD Administrator shall interpret this Rate and Method of Apportionment and make determinations relative to the annual levy and administration of the Special Taxes and any taxpayer who appeals, as herein specified.

APPENDIX B

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING

The following information relating to the City of Lake Elsinore (the “City”) and the County of Riverside, California (the “County”), California (the “State”) is supplied solely for purposes of information. Neither the City nor the County is obligated in any manner to pay principal of or interest on the Bonds or to cure any delinquency or default on the Bonds. The Bonds are payable solely from the sources described in the Official Statement.

General

The City was founded in 1883 and incorporated as a general law city effective April 23, 1888 in San Diego County. In 1893, the Elsinore Valley, previously located in San Diego County, became part of the new County of Riverside. The City encompasses approximately 43 square miles, with over 10 miles of lakeshore, and is located at the southwestern end of the County, 73 miles southeast of downtown Los Angeles and 74 miles north of downtown San Diego.

Population

The following table offers population figures for the City, the County and the State for 2019 through 2023.

<i>Area</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
City of Lake Elsinore	63,154	63,453	64,762	71,989	71,973
County of Riverside	2,422,146	2,442,304	2,454,453	2,430,976	2,439,234
State of California	39,695,376	39,782,870	39,466,855	39,078,674	38,940,231

Source: California State Department of Finance, Demographic Research Unit. 2010 Census Benchmark. Population and Housing Estimates for Cities, Counties, and the State — January 1, 2022 and 2023

Building Activity

The following tables provide summaries of the building permit valuations and the number of new dwelling units authorized in the City and County from 2018 through 2022.

BUILDING PERMIT VALUATIONS

**City of Lake Elsinore
2018-2022**

(Dollars in Thousands)

	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Valuation (\$000):					
Residential	\$102,858	\$ 94,437	\$101,321	\$ 61,598	\$105,539
Non-residential	<u>13,307</u>	<u>26,442</u>	<u>4,248</u>	<u>12,276</u>	<u>18,301</u>
Total*	\$116,165	\$120,879	\$105,569	\$ 73,874	\$123,840
Residential Units:					
Single family	345	327	410	218	297
Multiple family	<u>0</u>	<u>83</u>	<u>0</u>	<u>0</u>	<u>13</u>
Total	345	410	410	218	310

* Totals may not add to sums because of rounding.
Source: Construction Industry Research Board.

BUILDING PERMIT VALUATIONS
County of Riverside
2018-2022
(Dollars in Thousands)

	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Valuation (\$000):					
Residential	\$2,558,081	\$2,275,405	\$2,519,303	\$2,262,642	\$2,921,112
Non-residential	<u>1,959,680</u>	<u>1,285,856</u>	<u>1,153,778</u>	<u>1,154,998</u>	<u>1,701,615</u>
Total*	<u>\$4,517,761</u>	<u>\$3,561,261</u>	<u>\$3,673,081</u>	<u>\$3,417,640</u>	<u>\$4,622,727</u>
Residential Units:					
Single family	7,540	6,563	8,443	7,360	8,863
Multiple family	<u>1,628</u>	<u>1,798</u>	<u>723</u>	<u>1,126</u>	<u>2,861</u>
Total	9,168	8,361	9,166	8,486	11,724

* Totals may not add to sums because of rounding.
Source: Construction Industry Research Board.

Employment

The following tables show the largest employers located in the City and County as of June 30, 2022.

LARGEST EMPLOYERS
City of Lake Elsinore
(as of June 30, 2022)

<i>Rank</i>	<i>Name of Business</i>	<i>Employees</i>	<i>Type of Business</i>
1.	Lake Elsinore Unified School District	2,541	School District
2.	M & M Framing	516	Construction
3.	Stater Bros	347	Supermarkets
4.	Costco	312	Retail Stores
5.	Walmart	295	Retail Stores
6.	Lake Elsinore Hotel & Casino	240	Casino & Resort
7.	Riverside County – Dept. of Social Services	206	Government
8.	Elsinore Valley Municipal Water District	163	Water District
9.	Home Depot	160	Building Supplies
10.	City of Lake Elsinore	141	Government

Source: City of Lake Elsinore Comprehensive Annual Financial Report for the year ending June 30, 2022.

LARGEST EMPLOYERS
County of Riverside
(as of June 30, 2022)

<i>Rank</i>	<i>Name of Business</i>	<i>Employees</i>	<i>Type of Business</i>
1.	County of Riverside	25,366	County Government
2.	Amazon	14,317	E-Commerce
3.	March Air Reserve Base	9,600	Military Reserve Base
4.	Nestle UA	8,874	Grocery Wholesalers
5.	University of California-Riverside	8,623	University
6.	State of California	8,383	State Government
7.	Walmart	7,494	Retail Company
8.	Moreno Valley Unified School District	6,020	School District
9.	Kaiser Permanente Riverside Medical Center	5,817	Medical Center
10.	Corona-Norco Unified School District	5,478	School District

Source: County of Riverside Office of Economic Development as of May 2023.

Employment and Industry

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

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The following table represents the Annual Average Labor Force and Industry Employment for the period from 2018 through 2022.

**RIVERSIDE-SAN BERNARDINO-ONTARIO METROPOLITAN STATISTICAL AREA
INDUSTRY EMPLOYMENT & LABOR FORCE - BY ANNUAL AVERAGE**

	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Civilian Labor Force ⁽¹⁾	2,045,200	2,075,200	2,095,800	2,125,300	2,160,600
Employment	1,957,500	1,991,200	1,888,900	1,968,700	2,071,200
Unemployment	87,700	84,000	206,900	156,600	89,400
Unemployment Rate	4.3%	4.0%	9.9%	7.4%	4.1%
<u>Wage and Salary Employment:⁽²⁾</u>					
Agriculture	14,500	15,400	14,100	13,700	13,900
Mining and Logging	1,200	1,200	1,300	1,400	1,600
Construction	105,200	107,200	104,900	110,100	115,200
Manufacturing	100,400	101,300	96,000	96,100	99,600
Wholesale Trade	66,100	67,700	65,600	67,400	69,700
Retail Trade	181,200	180,700	168,800	177,000	180,600
Transportation, Warehousing and Utilities	132,100	146,600	172,500	198,800	214,200
Information	11,400	11,500	9,600	9,700	10,200
Finance and Insurance	25,300	24,800	24,600	24,400	24,600
Real Estate and Rental and Leasing	19,300	20,200	19,500	20,700	22,200
Professional and Business Services	151,400	157,900	154,800	169,400	179,100
Educational and Health Services	239,500	250,300	248,800	254,300	266,400
Leisure and Hospitality	170,600	175,900	141,300	160,200	179,600
Other Services	45,800	46,200	40,200	43,600	47,900
Federal Government	20,700	21,100	22,100	21,100	20,900
State Government	30,600	31,100	31,300	30,400	28,300
Local Government	<u>205,900</u>	<u>209,000</u>	<u>194,600</u>	<u>190,500</u>	<u>200,300</u>
Total All Industries	1,521,100	1,568,100	1,509,900	1,588,800	1,674,200
Civilian Labor Force ⁽¹⁾	2,045,200	2,075,200	2,095,800	2,125,300	2,160,600
Employment	1,957,500	1,991,200	1,888,900	1,968,700	2,071,200

⁽¹⁾ Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

⁽²⁾ Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: State of California, Employment Development Department.

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The following table summarizes the labor force, employment and unemployment figures for the period from 2018 through 2022 for the City, the County, the State and the nation as a whole.

**CITY OF LAKE ELSINORE,
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>
2018				
City of Lake Elsinore	30,000	28,800	1,200	4.0%
County of Riverside	1,092,400	1,044,600	47,800	4.4
State of California	19,398,200	18,582,800	815,400	4.2
United States	162,075,000	155,761,000	6,314,000	3.9
2019				
City of Lake Elsinore	30,800	29,600	1,200	3.9%
County of Riverside	1,104,000	1,057,900	46,100	4.2
State of California	19,411,600	18,627,400	784,200	4.0
United States	163,539,000	157,538,000	6,001,000	3.7
2020				
City of Lake Elsinore	31,300	28,100	3,100	10.1%
County of Riverside	1,107,700	997,700	110,000	9.9
State of California	18,821,200	16,913,100	1,908,100	10.1
United States	160,472,000	147,795,000	12,947,000	8.1
2021				
City of Lake Elsinore	30,100	27,800	2,300	7.6%
County of Riverside	1,129,600	1,046,700	82,800	7.3
State of California	18,923,200	17,541,900	1,381,200	7.3
United States	161,204,000	152,581,000	8,623,000	5.3
2022				
City of Lake Elsinore	30,700	29,400	1,300	4.2%
County of Riverside	1,152,100	1,104,100	48,000	4.2
State of California ⁽⁴⁾	--	--	--	--
United States ⁽⁴⁾	--	--	--	--

Note: Data is not seasonally adjusted.

(1) Annual averages, unless otherwise specified.

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

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

(4) The Average Annual Civilian Labor Force, Employment and Unemployment figures for the State of California and the United States for the 2022 have not yet been published by the U.S. Department of Labor, Bureau of Labor Statistics.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. 2021 Benchmark.

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 35.23% between 2017 and 2021. The following tables summarize personal income for Riverside County for 2012 through 2021.

PERSONAL INCOME
Riverside County
2010-2021
(Dollars in Thousands)

<i>Year</i>	<i>Riverside County</i>	<i>Annual Percent Change</i>
2012	\$74,050,799	2.9%
2013	76,519,738	3.3
2014	80,776,153	5.6
2015	86,196,663	6.7
2016	90,713,807	5.2
2017	93,043,247	4.2
2018	97,949,023	4.8
2019	104,149,463	6.8
2020	115,570,337	11.0
2021	125,820,553	8.9

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 2012-2022. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

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PER CAPITA PERSONAL INCOME
Riverside County, State of California and the United States
2012-2022

<i>Year</i>	<i>Riverside County</i>	<i>California</i>	<i>United States</i>
2012	\$32,748	\$48,813	\$44,605
2013	33,462	49,303	44,860
2014	34,875	52,363	47,071
2015	36,745	55,833	49,019
2016	38,114	58,048	50,015
2017	39,148	60,549	52,118
2018	40,587	63,720	54,606
2019	43,295	64,919	52,250
2020	47,702	70,647	59,765
2021	51,180	76,614	64,143
2022	-- ⁽¹⁾	77,339	65,423

⁽¹⁾ Per Capita income not available for the County as of July 2023.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Taxable Sales

The table below presents taxable sales for the years 2017 through 2021 for the City.

TAXABLE SALES
City of Lake Elsinore
2017-2021
(Dollars in Thousands)

<i>Year</i>	<i>Permits</i>	<i>Taxable Transactions</i>
2017	1,529	\$ 854,947
2018	1,626	869,151
2019	1,692	905,476
2020	1,843	1,015,341
2021	1,907	1,294,278

Source: Taxable Sales in California, California Department of Tax and Fee Administration for 2017-2021. Ci

The table below presents taxable sales for the years 2018 through 2022 for the County.

TAXABLE SALES
County of Riverside
2018-2022
(Dollars in Thousands)

<i>Year</i>	<i>Permits</i>	<i>Taxable Transactions</i>
2018	61,433	\$38,919,497
2019	64,063	40,557,844
2020	69,284	42,313,474
2021	64,335	43,414,533
2022	66,738	46,908,344

Source: Taxable Sales in California, California Department of Tax and Fee Administration for 2018-2022.

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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

[Closing Date]

City of Lake Elsinore
Community Facilities District No. 2006-4 (Rosetta Hills)
Lake Elsinore, California

Re: \$ _____ *City of Lake Elsinore Community Facilities District No. 2006-4 (Rosetta Hills)*
 Special Tax Bonds, Series 2024

Ladies and Gentlemen:

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the City of Lake Elsinore (the “City”) taken in connection with the formation of City of Lake Elsinore Community Facilities District No. 2006-4 (Rosetta Hills) (the “District”) and the authorization and issuance of the District’s Special Tax Bonds, Series 2024 in the aggregate principal amount of \$ _____ (the “Bonds”) and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the District, the City, the initial purchasers of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California), a resolution adopted by the City Council of the City, acting in its capacity as the legislative body of the District (the “City Council”) on December __, 2023 (the “Resolution”), and a Bond Indenture (the “Indenture”) dated as of January 1, 2024, by and between the District and Wilmington Trust, National Association, as trustee (the “Trustee”). All capitalized terms not defined herein shall have the meaning set forth in the Indenture.

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

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

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

(3) Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, it should be noted that for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”), interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed on such corporations.

(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 Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond Owner will increase the Bond Owner’s basis in the applicable Bond.

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

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

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

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

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

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

Respectfully submitted,

APPENDIX D
APPRAISAL REPORT

APPENDIX E

SUMMARY OF THE INDENTURE

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

APPENDIX F

FORM OF DISTRICT CONTINUING DISCLOSURE CERTIFICATE

APPENDIX G

FORM OF DEVELOPER CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by KB Home Coastal Inc., a California corporation (the “Property Owner”), in connection with the issuance by the City of Lake Elsinore Community Facilities District No. 2006-4 (Rosetta Hills) (the “District”) of the City of Lake Elsinore Community Facilities District No. 2006-4 (Rosetta Hills) Special Tax Bonds, Series 2024 (the “Bonds”). The Bonds are being issued pursuant to a Bond Indenture, dated as of January 1, 2024 by and between the District and Wilmington Trust, National Association, as trustee (the “Trustee”) (the “Indenture”). The Property Owner covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Property Owner for the benefit of the holders and beneficial owners of the Bonds.

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

“Affiliate” means any person presently directly (or indirectly through one or more intermediaries) under managerial control of the Property Owner, and about whom information could be material to potential investors in their investment decision regarding the Bonds (including without limitation information relevant to the proposed development of the Property or to the Property Owner’s ability to pay the Special Taxes levied on the Property prior to delinquency). For purposes of this Disclosure Certificate, any entities formed by the Property Owner for purposes of development of property in the District shall be an Affiliate.

“Dissemination Agent” means the Property Owner or an entity experienced in providing dissemination agent services such as those required under this Disclosure Certificate designated by the Property Owner to serve as the Dissemination Agent hereunder and who has accepted such obligation in writing, and for which the Property Owner has filed with the District and the Participating Underwriter notice of such designation and acceptance.

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

“MSRB” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” means the final Official Statement dated January __, 2024, executed by the District in connection with the issuance of the Bonds.

“Participating Underwriter” means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Bonds.

“Property” means the property owned by the Property Owner or any Affiliate in the District.

“Report Date” means (a) March 31 of each year, and (b) September 30 of each year.

“Semi-Annual Report” means any Semi-Annual Report provided by the Property Owner pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Special Taxes” means the special taxes of the District levied on the Property.

Section 3. Provision of Semi-Annual Reports.

(a) Until such obligations are terminated pursuant to Section 7 herein, the Property Owner shall, or upon written direction of the Property Owner the Dissemination Agent shall, not later than the Report Date, commencing March 31, 2024, provide to the MSRB, in an electronic format as prescribed by the MSRB, a Semi-Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate with a copy to the Participating Underwriter and the District. Not later than 15 calendar days prior to the Report Date, the Property Owner shall provide the Semi-Annual Report to the Dissemination Agent (if different from the Property Owner). The Property Owner shall provide a written certification with (or included as a part of) each Semi-Annual Report furnished to the Dissemination Agent (if different from the Property Owner), the Participating Underwriter and the District to the effect that such Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by it under this Disclosure Certificate. The Dissemination Agent, the Participating Underwriter, and the District may conclusively rely upon such certification of the Property Owner and shall have no duty or obligation to review the Semi-Annual Report. The Semi-Annual Report may be submitted as a single document or as separate documents comprising a package, and may incorporate by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Dissemination Agent is not the Property Owner and it does not receive a Semi-Annual Report by 15 calendar days prior to the Report Date, the Dissemination Agent shall send a reminder notice to the Property Owner that the Semi-Annual Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct the Property Owner to determine whether its obligations under this Disclosure Certificate have terminated (pursuant to Section 7 below) and, if so, to provide the Dissemination Agent with a notice of such termination in the same manner as for a Listed Event (pursuant to Section 5 below). If the Property Owner does not provide, or cause the Dissemination Agent to provide, a Semi-Annual Report to the MSRB by the Report Date as required in subsection (a) above, the Dissemination Agent shall provide a notice to the MSRB, in an electronic format as prescribed by the MSRB, with a copy to the District and the Participating Underwriter.

(c) The Dissemination Agent shall:

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

(ii) to the extent the Semi-Annual Report has been furnished to it, file a report with the Property Owner (if the Dissemination Agent is other than the Property Owner), the District, and the Participating Underwriter certifying that the Semi-Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Semi-Annual Reports. Each Semi-Annual Report shall contain or incorporate by reference the information set forth in Exhibit A, any or all of which may be included by specific reference to other documents, including official statements of debt issues of the Property Owner or related public entities, which are available to the public on the MSRB’s internet web site or filed with the Securities and Exchange Commission. The Property Owner shall clearly identify each such other document so included by reference.

In addition to any of the information expressly required to be provided in Exhibit A, each Semi-Annual Report shall include such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) Until such obligations are terminated pursuant to Section 7 herein, the Property Owner shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to itself or the Property, if material:

(i) bankruptcy or insolvency proceedings commenced by or against the Property Owner and, if known, any bankruptcy or insolvency proceedings commenced by or against any Affiliate of the Property Owner;

(ii) failure to pay any Special Taxes due with respect to the Property prior to the delinquency date, to the extent such failure is not promptly cured by the Property Owner upon discovery thereof;

(iii) filing of a lawsuit against the Property Owner or, if known, an Affiliate of the Property Owner, seeking damages which, if successful, could have a material and adverse impact on the Property Owner's ability to pay Special Taxes prior to delinquency or to sell or develop the Property;

(iv) material damage to or destruction of any of the improvements on the Property; and

(v) any payment default or other material default by the Property Owner that continues to exist beyond any applicable notice and cure periods on any loan with respect to the construction of improvements on the Property.

(b) Whenever the Property Owner obtains knowledge of the occurrence of a Listed Event, the Property Owner shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Property Owner determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Property Owner shall, or shall cause the Dissemination Agent to, within 10 business days file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, with a copy to the District and the Participating Underwriter.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Duration of Reporting Obligation. All of the Property Owner's obligations hereunder shall commence on the date hereof and shall terminate (except as provided in Section 12) on the earliest to occur of the following:

(i) upon the legal defeasance, prior redemption or payment in full of all the Bonds, or

(ii) at such time as the Property in the District owned by the Property Owner or any Affiliate fewer than 27 residential lots in the District, or

(iii) the date on which the Property Owner prepays in full all of the Special Taxes attributable to the Property.

The Property Owner shall give notice of the termination of its obligations under this Disclosure Certificate in the same manner as for a Listed Event under Section 5.

Section 8. Dissemination Agent. The Property Owner may, from time to time, with the written consent of the District, appoint or engage a Dissemination Agent to assist the Property Owner in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with the written consent of the District, with or without appointing a successor Dissemination Agent. The initial Dissemination

Agent shall be the Property Owner. The Dissemination Agent may resign by providing 30 days' written notice to the District, the Property Owner, the District, and the Participating Underwriter.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Property Owner may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied (provided, however, that the Dissemination Agent shall not be obligated under any such amendment that modifies or increases its duties or obligations hereunder without its written consent thereto):

(a) if the amendment or waiver relates to the provisions of sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, or change in law;

(b) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Property Owner 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 Semi-Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Property Owner chooses to include any information in any Semi-Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Property Owner shall have no obligation under this Disclosure Certificate to update such information or include it in any future Semi-Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Property Owner to comply with any provision of this Disclosure Certificate, the Participating Underwriter, the District, and any holder 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 Property Owner to comply with its obligations under this Disclosure Certificate. 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 in the event of any failure of the Property Owner to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Property Owner agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding any loss, expense and liabilities due to the Dissemination Agent's negligence or willful misconduct or failure to perform its duties hereunder. If the Dissemination Agent is not the Property Owner, the Dissemination Agent shall be paid compensation for its services provided hereunder by the Property Owner in accordance with the Dissemination Agent's schedule of fees as amended from time to time, which schedule, as amended, shall be reasonably acceptable, and all reasonable expenses, reasonable legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the District, the Property Owner, the Participating Underwriter, the Bond owners, or any other party. The obligations of the Property Owner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given by regular, overnight, or electronic mail as follows:

To the issuer:

City of Lake Elsinore Community Facilities
District No. 2006-4 (Rosetta Hills)
130 South Main Street
Lake Elsinore, California 92530
Attention: Assistant City Manager
Telephone: (951) 674-3124
Email: sbuckley@lake-elsinore.org

To the Participating Underwriter:

Stifel, Nicolaus & Company, Incorporated
2121 Avenue of the Stars, Suite 2150
Los Angeles, California 90067
Attention: Public Finance
Telephone: (213) 443-5006
Telecopier: (213) 443-5023
Email: tjacob@stifel.com

To the Property Owner:

KB Home Coastal Inc.

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

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Property Owner (its successors and assigns), the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. All obligations of the Property Owner hereunder shall be assumed by any legal successor to the obligations of the Property Owner as a result of a sale, merger, consolidation or other reorganization.

Date: _____, 2024

KB HOME COASTAL INC.,
a California corporation

By: _____

Name: _____

Title: _____

EXHIBIT A

SEMI-ANNUAL REPORT

[MARCH 31, ____ / SEPTEMBER 30, ____]

§ _____

**CITY OF LAKE ELSINORE
COMMUNITY FACILITIES DISTRICT NO. 2006-4 (ROSETTA HILLS)
SPECIAL TAX BONDS, SERIES 2024**

This Semi-Annual Report is hereby submitted pursuant to Section 4 of the Continuing Disclosure Certificate (the “Disclosure Certificate”) dated _____, 2024, executed by the undersigned (the “Property Owner”) in connection with the issuance by the City of Lake Elsinore Community Facilities District No. 2006-4 (Rosetta Hills) (the “District”) of the bonds captioned above (the “Bonds”).

Capitalized terms used in this Semi-Annual Report but not otherwise defined have the meanings given to them in the Disclosure Certificate.

I. Property Ownership and Development

The information in this section is provided as of _____ (this date must be not more than 60 days before the Report Date of this Semi-Annual Report).

A. Description of the Property currently owned by the Property Owner in the District (the “**Property**”) in substance and form similar to such information in the Official Statement for the Bonds.

B. Updated information regarding land development and home construction activities with respect to the Property described in the Official Statement for the Bonds or the Semi-Annual Report last filed in accordance with the Disclosure Certificate. Such information shall include, for the period covered by this Semi-Annual Report and cumulatively, the statue of infrastructure constructed or to be constructed by the Property Owner, the number of building permits issued, the number of homes sold and the number of homes closed to individuals.

C. Status of any material changes to the description of land use or development entitlements for the Property described in the Official Statement for the Bonds or the Semi-Annual Report last filed in accordance with the Disclosure Certificate.

D. Other than as covered in Section B above, the status of any land purchase contracts with regard to the Property, whether acquisition of land in the District by the Property Owner or sales of land to other property owners (other than individual homeowners).

II. Legal and Financial Status of Property Owner

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any material change in the legal structure of the Property Owner or the financial condition and financing plan of the Property Owner that would materially and adversely interfere with its ability to complete its development plan described in the Official Statement. To the extent that the ownership of the Property Owner has changed, describe all material terms of the new ownership structure.

III. Change in Development or Financing Plans

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any development plans or financing plans relating to the Property *that are materially different from* the proposed development and financing plan described in the Official Statement.

IV. Official Statement Updates

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any other significant changes in the information relating to the Property Owner or the Property contained in the Official Statement under the heading “PROPERTY OWNERSHIP AND THE DEVELOPMENT” that would materially and adversely interfere with the Property Owner’s ability to develop and sell the Property as described in the Official Statement.

V. Status of Tax Payments

Describe status of payment of taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property owned by the Property Owner and its Affiliates.

VI. Other Material Information

In addition to any of the information expressly required above, provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Certification

On behalf of the Property Owner, the undersigned officer or representative, based on actual knowledge after reasonable inquiry of employees of Property Owner and its Affiliates, hereby certifies that this Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by the Property Owner under the Disclosure Certificate.

ANY OTHER STATEMENTS REGARDING THE PROPERTY OWNER, THE DEVELOPMENT OF THE PROPERTY, THE PROPERTY OWNER’S FINANCING PLAN OR FINANCIAL CONDITION, OTHER THAN STATEMENTS MADE BY THE PROPERTY OWNER IN AN OFFICIAL RELEASE, OR FILED WITH THE MUNICIPAL SECURITIES RULEMAKING BOARD, ARE NOT AUTHORIZED BY THE PROPERTY OWNER. THE PROPERTY OWNER IS NOT RESPONSIBLE FOR THE ACCURACY, COMPLETENESS OR FAIRNESS OF ANY SUCH UNAUTHORIZED STATEMENTS.

THE PROPERTY OWNER HAS NO OBLIGATION TO UPDATE THIS SEMI-ANNUAL REPORT OTHER THAN AS EXPRESSLY PROVIDED IN THE DISCLOSURE CERTIFICATE.

Dated: _____

KB HOME COASTAL INC.,
a California corporation

By: _____

Name: _____

Title: _____

APPENDIX H

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the District and the Underwriter believe to be reliable, but neither the District nor the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

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

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

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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