



Annual Disclosure Report Fiscal Year Ending June 30, 2023

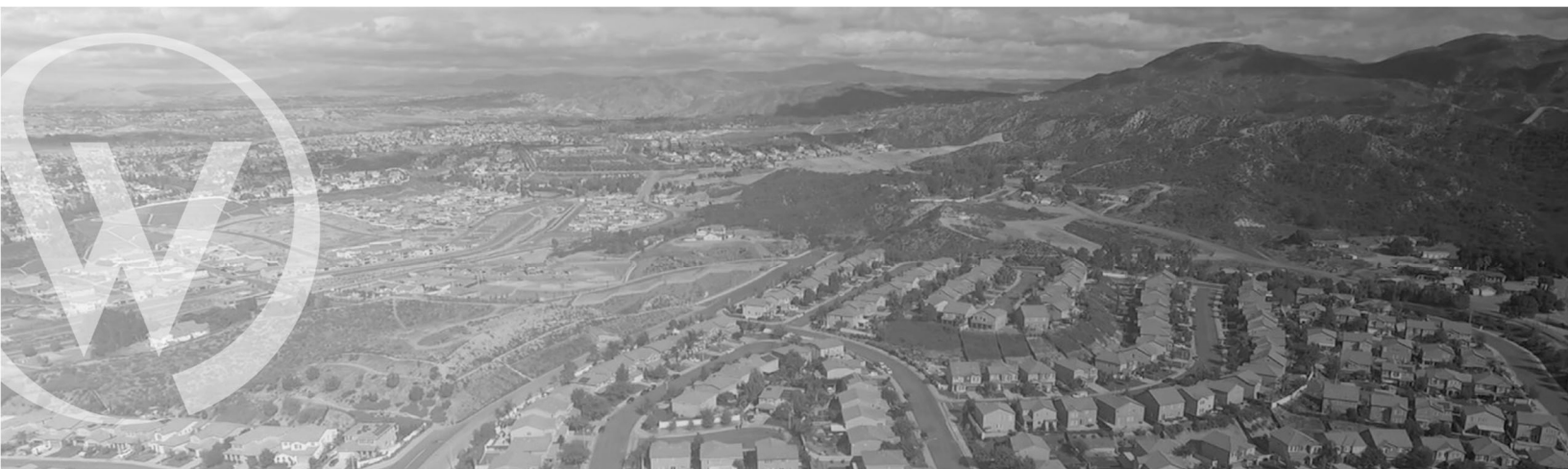
Eastern Municipal Water District
Community Facilities District No. 2019-86
(Tierra del Sol)

2023 Special Tax Bonds

Prepared For



March 2024



**Community Facilities District No. 2019-86
(Tierra del Sol)
2023 Special Tax Bonds**

2022 CUSIP Numbers

Year	CUSIP	Year	CUSIP
2025	27627M2B2	2032	27627M2J5
2026	27627M2C0	2033	27627M2K2
2027	27627M2D8	2037	27627M2L0
2028	27627M2E6	2043	27627M2M8
2029	27627M2F3	2048	27627M2N6
2030	27627M2G1	2054	27627M2P1
2031	27627M2H9		

The information herein for the Eastern Municipal Water District Community Facilities District No. 2019-86 (“CFD 2019-86” or the “District”) was prepared by Webb Municipal Finance, LLC and Eastern Municipal Water District, as Administrators.

Project Location

The District is located north of Benton Road, south of San Remo Drive, east of Sicilly Lane and west of Pourroy Road in an area known as French Valley in an unincorporated portion of Riverside County. CFD 2019-86 contains approximately 15.4 gross acres and is planned for a total of 139 detached single-family homes at buildout.

Project Description

The District was formed to finance the acquisition or construction of certain water and sewer system improvements by or for the Water District that are required in order to provide water and sewer service to the property within CFD 2019-86 and payments to the Water District of CFD 2019-86’s share of the costs of the Water District’s water, sewer, and sewer treatment facilities; and certain school facilities by or for the School District that are required in connection with the development within CFD 2019-86.

Form of District Continuing Disclosure Certificate

Pursuant to the provisions of the Continuing Disclosure Certificate for the Eastern Municipal Water District CFD 2019-86 2023 Special Tax Bonds, the first Annual Report, due on March 1, 2024, shall consist solely of the Official Statement, attached hereto.

Audited Financial Statements for Fiscal Year 2022-23

The Eastern Municipal Water District Fiscal Year 2022-23 Audited Financial Statements will be submitted to the Electronic Municipal Market Access Website under separate cover and are incorporated herein by reference.

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

\$5,615,000

**COMMUNITY FACILITIES DISTRICT NO. 2019-86 (TIERRA DEL SOL)
OF EASTERN MUNICIPAL WATER DISTRICT
2023 SPECIAL TAX BONDS**

Dated: Date of Delivery

Due: September 1, as shown on inside front cover

This Official Statement describes bonds (the “Bonds”) being issued by Community Facilities District No. 2019-86 (Tierra Del Sol) of Eastern Municipal Water District (the “Community Facilities District”) and delivered primarily to finance various public improvements needed to develop property located within the Community Facilities District. The Community Facilities District was formed by and is located within the boundaries of Eastern Municipal Water District in Riverside County, California.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended. The Bonds are being issued pursuant to Eastern Municipal Water District’s Resolution No. 2023-147 and a Trust Indenture (the “Indenture”), dated as of December 1, 2023, by and between the Community Facilities District and U.S. Bank Trust Company, National Association, as the Fiscal Agent (the “Fiscal Agent”). The Bonds are special obligations of the Community Facilities District and are payable solely from revenues derived from certain annual special taxes to be levied on the taxable property within the Community Facilities District (the “Special Taxes”) and from certain other funds pledged under the Indenture, as further described herein. Additional bonds secured on a parity with the Bonds may be issued upon satisfaction of certain conditions set forth in the Indenture for the purpose of refunding all or a portion of the Bonds or any Parity Bonds. See “SECURITY FOR THE BONDS — Additional Bonds for Refunding Purposes Only.”

The Bonds are being issued in book-entry form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers of Bonds will not receive certificates representing their beneficial ownership thereof 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 The Depository Trust Company or as otherwise described herein. Individual purchases may be made in principal amounts of \$5,000 and integral multiples thereof.

Interest on the Bonds will be payable on each March 1 and September 1, commencing March 1, 2024. Principal of and interest on the Bonds will be paid by the Fiscal Agent to Cede & Co., and such payments are expected to be disbursed to the beneficial owners of the Bonds through their nominees.

Neither the faith and credit nor the taxing power of the County of Riverside, Eastern Municipal Water District, the State of California or any political subdivision thereof (other than the taxing power of the Community Facilities District) is pledged to the payment of the Bonds. No taxes other than the Net Special Taxes are pledged to the payment of such Bonds.

The Bonds are subject to optional redemption, redemption resulting from the prepayment of Special Taxes, and mandatory sinking fund redemption prior to maturity, as described herein.

MATURITY SCHEDULE
(See Inside Cover Page)

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are not rated by any rating agency, and investment in the Bonds involves risks which may not be appropriate for certain investors. Therefore, only persons with substantial financial resources who understand the risks of investment in the Bonds should consider such an investment. See the section of this Official Statement entitled “SPECIAL RISK FACTORS” for a discussion of certain risk factors that should be considered, in addition to the matters set forth herein, in evaluating the investment quality of the Bonds.

The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and to certain other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California is serving as Disclosure Counsel to the Community Facilities District with respect to the Bonds. Certain legal matters will be passed upon for Eastern Municipal Water District by Aleshire & Wynder, LLP, Westlake Village, California, its General Counsel and for the Underwriter by its counsel, Kutak Rock LLP, Irvine, California. It is anticipated that the Bonds will be available for delivery to The Depository Trust Company or its agent on or about December 13, 2023.

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MATURITY SCHEDULE

COMMUNITY FACILITIES DISTRICT NO. 2019-86 (TIERRA DEL SOL) OF EASTERN MUNICIPAL WATER DISTRICT 2023 SPECIAL TAX BONDS

\$1,010,000 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>
2025	\$ 95,000	5.00%	3.35%	102.725	27627M 2B2
2026	100,000	5.00	3.40	104.113	27627M 2C0
2027	105,000	5.00	3.53	105.073	27627M 2D8
2028	105,000	5.00	3.63	105.884	27627M 2E6
2029	110,000	5.00	3.80	106.108	27627M 2F3
2030	115,000	5.00	3.92	106.317	27627M 2G1
2031	120,000	5.00	3.98	106.714	27627M 2H9
2032	125,000	5.00	4.03	107.064	27627M 2J5
2033	135,000	5.00	4.05	107.562	27627M 2K2

\$4,605,000 Term Bonds

\$590,000 4.25% Term Bonds Due September 1, 2037 Yield: 4.51% Price: 97.356 CUSIP No. 27627M 2L0†
\$1,085,000 5.00% Term Bonds Due September 1, 2043 Yield: 4.87% Price: 100.989^(C) CUSIP No. 27627M 2M8†
\$1,155,000 5.00% Term Bonds Due September 1, 2048 Yield: 5.10% Price: 98.596 CUSIP No. 27627M 2N6†
\$1,775,000 5.00% Term Bonds Due September 1, 2054 Yield: 5.18% Price: 97.239 CUSIP No. 27627M 2P1†

^(C) Priced to optional redemption at par on September 1, 2033.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2023 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Underwriter or the Community Facilities District or their agents or counsel assume responsibility for the accuracy of such numbers.

EASTERN MUNICIPAL WATER DISTRICT

BOARD OF DIRECTORS

Philip E. Paule, President
Stephen J. Corona, Vice President
Jeff Armstrong, Director
Randy A. Record, Director
David J. Slawson, Director

DISTRICT OFFICIALS

Joe Mouawad, P.E., General Manager
Laura Nomura, Deputy General Manager/Treasurer
Nick Kanetis, Deputy General Manager
Lanaya Alexander, Assistant General Manager, Planning, Engineering and Construction
Matthew Melendrez, Assistant General Manager, Operations and Maintenance
John F. Adams, Chief Financial Officer
Thomas Hays, Assistant Chief Financial Officer

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

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

General Counsel to the Water District

Aleshire & Wynder, LLP
Westlake Village, California

Municipal Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Fiscal Agent

U.S. Bank Trust Company, National Association
Los Angeles, California

Special Tax Consultant

Webb Municipal Finance, LLC
Riverside, California

Appraiser

Stephen G. White, MAI
Fullerton, California

All information for investors regarding Eastern Municipal Water District (the “Water District”), the Community Facilities District, and the Bonds is contained in this Official Statement. While the Water District maintains an internet website for various purposes, none of the information on that website is intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the Water District. No dealer, broker, salesperson or other person has been authorized by the Water District to provide any information or to make any representations other than as contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Water District. 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 of Bonds. Statements contained in this Official Statement that 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 a representation of facts.

The information set forth herein has been obtained from the Water District, the Community Facilities District and certain other sources. Such information is believed to be reliable but is not guaranteed as to its accuracy or completeness. The information set forth in this Official Statement which has been obtained from third party sources is believed to be reliable but is not guaranteed as to accuracy or completeness by the Water District or the Community Facilities District. The information and expressions of opinion herein are subject to change without notice; and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Water District, the Community Facilities District or any matters expressed herein since the date hereof. All summaries contained herein of the Indenture or other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions.

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

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

**CAUTIONARY INFORMATION REGARDING FORWARD-LOOKING STATEMENTS IN
THIS OFFICIAL STATEMENT**

Certain statements included or incorporated by reference in this Official Statement constitute “Forward-Looking Statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “budget” and other similar words and include, but are not limited to, statements that describe possible future development of property within the District and the costs associated with such development.

The achievement of certain results or other expectations contained in such forward-looking statements involves 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. While the Community Facilities District has agreed to provide certain on-going financial and operating data (see “CONTINUING DISCLOSURE” and Appendix F hereto), it does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which statements are based change.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENTS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE FRONT COVER PAGE HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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

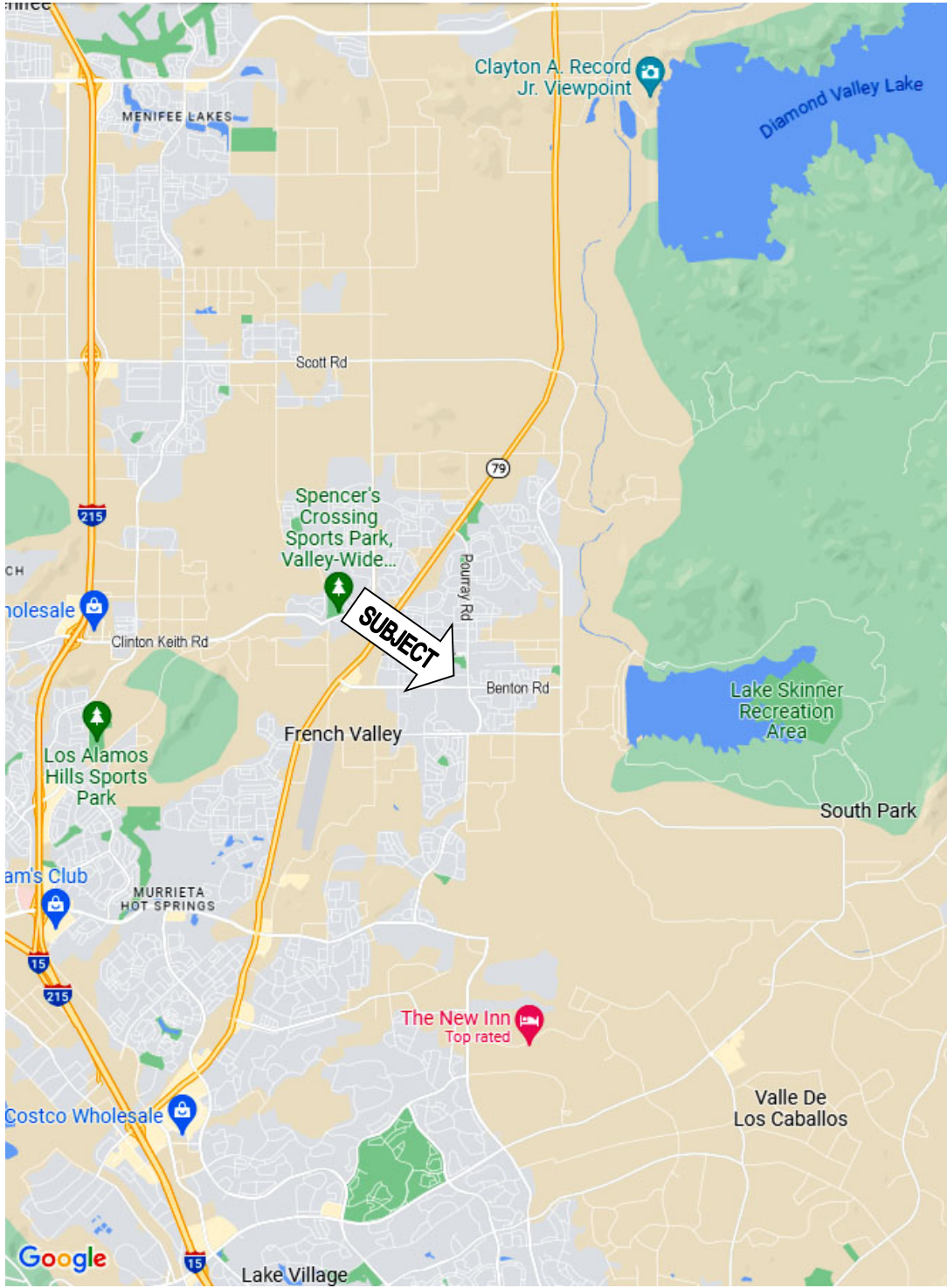
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LOCATION MAP



**COMMUNITY FACILITIES DISTRICT NO. 2019-86
(TIERRA DEL SOL)
OF EASTERN MUNICIPAL WATER DISTRICT**



\$5,615,000
COMMUNITY FACILITIES DISTRICT NO. 2019-86 (TIERRA DEL SOL)
OF EASTERN MUNICIPAL WATER DISTRICT
2023 SPECIAL TAX BONDS

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page and the appendices hereto, is to provide certain information concerning Community Facilities District No. 2019-86 (Tierra Del Sol) of Eastern Municipal Water District 2023 Special Tax Bonds (the “Bonds”).

The Bonds are being issued pursuant to Resolution No. 2023-147 (the “Resolution”) adopted by the Board of Directors (the “Board”) of Eastern Municipal Water District (the “Water District”), acting as the legislative body of Community Facilities District No. 2019-86 (Tierra Del Sol) of Eastern Municipal Water District (the “Community Facilities District”) on November 15, 2023, and a Trust Indenture dated as of December 1, 2023, (the “Indenture”) by and between the Community Facilities District and U.S. Bank Trust Company, National Association, as Fiscal Agent (the “Fiscal Agent”). The Bonds are payable from Net Special Taxes (defined below) and from certain other funds pledged under the Indenture. The Community Facilities District may issue additional bonds secured by Net Special Taxes on a parity with the Bonds (“Parity Bonds”) only for purposes of refunding all or a portion of the Bonds and any Parity Bonds, subject to the terms and conditions of the Indenture, as more fully described herein.

The Bonds are being issued by the Community Facilities District primarily to (i) finance various public improvements to be owned and operated by the Water District and Temecula Valley Unified School District (the “School District”) which are needed to develop the property located within the Community Facilities District; (ii) fund a reserve account securing the Bonds and any Parity Bonds; and (iii) pay the costs of issuance of the Bonds.

The Mello-Roos Community Facilities Act of 1982, as amended, Section 53311, *et seq.*, of the California Government Code (the “Act”), was enacted by the California Legislature to provide an alternative method of funding certain essential public capital facilities and services, especially in developing areas of the State of California (the “State”). Once duly established, a community facilities district is a legally constituted governmental entity, with the governing board or legislative body of the local agency acting on its behalf. Subject to approval by a two-thirds vote of the qualified electors voting and compliance with the provisions of the Act, the legislative body of a local agency may issue bonds for a community facilities district or for an improvement area within a community facilities district and may levy and collect a special tax within such community facilities district or improvement area to repay such indebtedness.

Pursuant to the Act, on January 20, 2021 the Board adopted a resolution, stating its intention to establish the Community Facilities District and a resolution stating its intention to authorize bonded indebtedness for the Community Facilities District. On March 3, 2021, the Community Facilities District was formed and an election was held within the Community Facilities District pursuant to the Act. At the March 3, 2021 election, the qualified electors within the Community Facilities District, which consisted solely of the then owners of land in the Community Facilities District, (i) authorized the Community Facilities District to incur bonded indebtedness of up to \$8,000,000 in order to finance certain public facilities and various costs related thereto (the “Project”), (ii) approved a rate and method of apportionment of special tax for the Community Facilities District (the “Rate and Method of Apportionment”), and (iii) approved the levy of a special tax on the taxable property within the Community Facilities District (the “Special Tax”) to pay the principal and interest on the Bonds and any Parity Bonds issued by the Community Facilities District and annual administrative expenses of the Community Facilities District, and to make any replenishments to the reserve account for the Bonds (the “Reserve Account”).

The Notice of Special Tax Lien for the Community Facilities District was recorded in the office of the County Recorder of the County of Riverside (the “County”) on March 10, 2021, as Document No. 2021-0153919.

Pursuant to the Act, the five members of the Board now act as the legislative body for the Community Facilities District. Community Facilities District administrative services are provided by the Water District’s staff.

The Indenture provides that the Bonds shall be secured by a pledge of the Net Special Taxes (which consist of the Gross Special Taxes collected by the Community Facilities District minus certain administrative expenses) and amounts on deposit in the Special Tax Fund established pursuant to the Indenture.

The Special Taxes are included on the regular property tax bills sent by the County to the record owners of property within the Community Facilities District. See “SECURITY FOR THE BONDS — The Special Tax.” The Community Facilities District has covenanted for the benefit of the owners of the Bonds that, under certain circumstances described herein, it will commence judicial foreclosure proceedings with respect to delinquent Special Taxes by October 1 following the close of the Fiscal Year in which such Special Taxes were due and will diligently pursue such proceedings. See “SECURITY FOR THE BONDS — Covenant for Superior Court Foreclosure.”

Neither the faith and credit nor the taxing power of the Water District, the County, the State or any political subdivision thereof (other than the taxing power of the Community Facilities District) is pledged to the payment of the Bonds. Except for the Net Special Taxes, no other taxes are pledged to the payment of the Bonds. The Bonds are not general or special obligations of the Water District or the Community Facilities District, but are limited obligations of the Community Facilities District payable solely from Net Special Taxes collected in the Community Facilities District and certain amounts held under the Indenture as more fully described herein.

See the section of this Official Statement entitled “SPECIAL RISK FACTORS” for a discussion of special factors which should be considered, in addition to the other matters set forth herein, in considering the investment quality of the Bonds.

The Community Facilities District is located north of Benton Road, south of San Remo Drive, east of Sicily Lane and west of Pourroy Road in an area known as Winchester in an unincorporated portion of the County.

The property within the Community Facilities District is currently under the ownership of Meritage Homes of California, Inc., a California corporation (“Meritage” or the “Developer”), and individual homeowners. The Community Facilities District consists of approximately 15.4 gross acres in Tract No. 37715. The development plan is for Meritage to construct 139 single-family detached residential units within the Community Facilities District, in a project known as “Tierra Del Sol.” For more information with respect to Meritage and the development plan within the Community Facilities District, see the caption “PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT.”

As of September 22, 2023, the Date of Value of the Appraisal (defined herein), the Community Facilities District included 61 completed production homes which had closed escrow to individual homeowners. Of the remaining 78 lots owned by Meritage as of such date, there were 20 completed homes (2 of which were model homes), 8 residential units under construction and 50 vacant lots. As of September 22, 2023, 24 lots owned by Meritage were in escrow. As of November 1, 2023, 78 completed homes had been conveyed to individual homeowners. Of the remaining 61 lots owned by Meritage as of November 1, 2023, 2 were completed model homes, 19 were residential units under construction (11 of which were in escrow) and 40 were vacant lots. Homes under contract may not result in closed escrows as sales contracts are subject to cancellation during escrow. See the caption “PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT” for more information regarding Meritage and the development within the Community Facilities District.

The Water District has obtained an appraisal of the taxable property included in the Community Facilities District dated October 2, 2023 (the “Appraisal”). The Appraisal was prepared for the Water District by Stephen G. White, MAI, Fullerton, California (the “Appraiser”). Based upon the assumptions and subject to the limiting conditions set forth in the Appraisal Report, the Appraiser is of the opinion that, as of September 22, 2023 (the “Date of Value”), the market value of the taxable property within the Community Facilities District was \$52,770,000. See the caption “THE COMMUNITY FACILITIES DISTRICT — Property Values.”

Prior to the issuance of the Bonds, the Appraiser will deliver to the Water District a certificate stating that the Appraiser is aware that acts and events may have occurred since the Date of Value of the Appraisal which could result in both positive and negative effects on the market value. However, the Appraiser has not performed additional research or valuation analysis specific to the District since the Date of Value of the Appraisal and has not undertaken any obligation to do so.

This Official Statement sets forth brief descriptions of the Bonds, the Indenture and certain other matters. Such descriptions do not purport to be comprehensive or definitive. All references herein to any of the aforesaid documents are qualified in their entirety by reference to the forms thereof, which are available for inspection at the office of the Secretary of the Board of Directors in Perris, California. Capitalized terms not defined herein shall have the respective meanings ascribed to them in Appendix A hereto or, if not defined in Appendix A, the meanings ascribed to them in the Indenture. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

THE BONDS

Authority for Issuance

The Community Facilities District was established and bonded indebtedness in an aggregate principal amount not to exceed \$8,000,000 was authorized to be issued pursuant to the provisions of the Act on March 3, 2021. A proposition relating to the incurring of the indebtedness for the Community Facilities District was consolidated with a proposition relating to the levying of the Special Tax into a single election at which the propositions were submitted to and approved by the qualified elector of the Community Facilities District on March 3, 2021. A Notice of Special Tax Lien was recorded in the office of the County Recorder on March 10, 2021, as Document No. 2021-0153919.

The Rate and Method of Apportionment and the amount of the Special Tax that can be collected from the land within the Community Facilities District are more fully described in the sections herein entitled “SECURITY FOR THE BONDS — The Special Tax” and “THE COMMUNITY FACILITIES DISTRICT.” See also Appendix C — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” The Bonds are being issued pursuant to the Act, the Resolution and the Indenture.

General Provisions

The Bonds will be dated as of the Delivery Date and bear interest at the rates and mature (subject to prior redemption as described below) on the dates set forth on the inside front cover page hereof. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months and will be payable on March 1 and September 1 of each year commencing March 1, 2024 (each such date, an “Interest Payment Date”). The Bonds will be issued in fully registered form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 and any integral multiple thereof. See the subsection hereof entitled “—Book-Entry System.”

The principal of and interest on the Bonds will be payable in lawful money of the United States of America.

The Bonds are secured by Net Special Taxes and from certain other funds pledged under the Indenture.

Additional bonds secured on a parity with the Bonds may be issued only to refund Outstanding Bonds and Parity Bonds, and upon satisfaction of certain conditions set forth in the Indenture. See “SECURITY FOR THE BONDS — Additional Bonds for Refunding Purposes Only.”

Redemption

Optional Redemption. The Bonds may be redeemed prior to maturity, at the option of the Community Facilities District, from any source of funds other than Prepayments, on any date on and after September 1, 2030, in whole or in part (in such amounts and maturities as may be designated by the Community Facilities District, with the particular Bonds of such maturities to be selected by the Fiscal Agent by lot), 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 Dates</i>	<i>Redemption Prices</i>
September 1, 2030 through August 31, 2031	103%
September 1, 2031 through August 31, 2032	102
September 1, 2032 through August 31, 2033	101
September 1, 2033 and any date thereafter	100

Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, 2037 (the “2037 Term Bonds”) are required to be called before maturity and redeemed from Sinking Fund Payments deposited into the Principal Account, on September 1, 2034, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2037 Term Bonds so called for redemption shall be selected by the Fiscal Agent by lot and shall be redeemed at a redemption price for each redeemed 2037 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

BONDS MATURING SEPTEMBER 1, 2037

<i>Redemption Dates (September 1)</i>	<i>Principal Amount</i>
2034	\$140,000
2035	145,000
2036	150,000
2037 (maturity)	155,000

The Bonds maturing on September 1, 2043 (the “2043 Term Bonds”) are required to be called before maturity and redeemed from Sinking Fund Payments deposited into the Principal Account, on September 1, 2038, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2043 Term Bonds so called for redemption shall be selected by the Fiscal Agent by lot and shall be redeemed at a redemption price for each redeemed 2043 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

BONDS MATURING SEPTEMBER 1, 2043

<i>Redemption Dates (September 1)</i>	<i>Principal Amount</i>
2038	\$ 160,000
2039	170,000
2040	175,000
2041	185,000
2042	195,000
2043 (maturity)	200,000

The Bonds maturing on September 1, 2048 (the “2048 Term Bonds”) are required to be called before maturity and redeemed from Sinking Fund Payments deposited into the Principal Account, on September 1, 2044, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2048 Term Bonds so called for redemption shall be selected by the Fiscal Agent by lot and shall be redeemed at a redemption price for each redeemed 2048 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

BONDS MATURING SEPTEMBER 1, 2048

<i>Redemption Dates (September 1)</i>	<i>Principal Amount</i>
2044	\$ 210,000
2045	220,000
2046	230,000
2047	240,000
2048 (maturity)	255,000

The Bonds maturing on September 1, 2054 (the “2054 Term Bonds”) are required to be called before maturity and redeemed from Sinking Fund Payments deposited into the Principal Account, on September 1, 2049, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2054 Term Bonds so called for redemption shall be selected by the Fiscal Agent by lot and shall be redeemed at a redemption price for each redeemed 2054 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

BONDS MATURING SEPTEMBER 1, 2054

<i>Redemption Dates (September 1)</i>	<i>Principal Amount</i>
2049	\$ 265,000
2050	275,000
2051	290,000
2052	305,000
2053	320,000
2054 (maturity)	320,000

If the Community Facilities District purchases Term Bonds and delivers them to the Fiscal Agent at least 45 days prior to an applicable redemption date, the principal amount of the Term Bonds so purchased will be credited to reduce the Sinking Fund Payment due on such redemption date for the applicable maturity of the Term Bonds.

In the event of a partial optional redemption or special mandatory redemption of Term Bonds, each of the remaining Sinking Fund Payments for such Term Bonds will be reduced, as nearly as practicable, on a pro rata basis.

Special Mandatory Redemption from Prepayments. The Bonds are subject to redemption as a whole, or in part on a pro rata basis among maturities, on any Interest Payment Date prior to maturity from the proceeds of the prepayment of the Special Taxes deposited in the Redemption Account pursuant to the Indenture and amounts transferred from the Reserve Account in connection with such prepayment. Such special mandatory redemption of the Bonds shall be at the following redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

<i>Redemption Dates</i>	<i>Redemption Prices</i>
March 1, 2024 through and including March 1, 2031	103%
September 1, 2031 and March 1, 2032	102
September 1, 2032 and March 1, 2033	101
September 1, 2033 and any Interest Payment Date thereafter	100

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.

See the caption “SPECIAL RISK FACTORS — Potential Early Redemption of Bonds from Prepayments or Assessment 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.

Notice of Redemption. When Bonds are to be redeemed under the Indenture, the Fiscal Agent shall give notice, in the name of the Community Facilities District, of the redemption of such Bonds. Such notice of redemption shall (a) specify the CUSIP numbers (if any), the numbers and the maturity date or dates of the Bonds selected for redemption, except that where all of the Bonds are subject to redemption, or all the Bonds of one maturity, are to be redeemed, the bond numbers of such issue need not be specified; (b) state the date fixed for redemption and surrender of the Bonds to be redeemed; (c) state the redemption price; (d) state the place or places where the Bonds are to be redeemed; (e) in the case of Bonds to be redeemed only in part, state the portion of such Bond which is to be redeemed; (f) state the date of issue of the Bonds as originally issued; (g) state the rate of interest borne by each Bond or Parity Bond being redeemed; and (h) state any other descriptive information needed to identify accurately the Bonds being redeemed as shall be specified by the Community Facilities District. Such notice shall further state that on the date fixed for redemption, there shall 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 shall cease to accrue and be payable.

At least 30 days but no more than 45 days prior to the redemption date, the Fiscal Agent shall mail a copy of such notice, by first class mail, postage prepaid, to the respective Owners thereof at their addresses appearing on the Bond Register and to the original purchaser of the Bonds. The actual receipt by the Owner of any Bond of notice of such redemption shall not be a condition precedent to redemption, and neither any defect therein nor any failure of an Owner to receive such notice shall 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 Fiscal Agent that notice of such redemption has been given as provided in the Indenture shall be conclusive as against all parties and the Owner shall not be entitled to show that he or she failed to receive notice of such redemption.

With respect to any notice of optional redemption of Bonds, such notice may state that such redemption shall be conditional upon the receipt by the Fiscal Agent on or prior to the date fixed for such redemption of

moneys sufficient to pay the principal of, premium, if any, and interest on such Bonds to be redeemed and that, if such moneys shall not have been so received, said notice will be of no force and effect and the Fiscal Agent will not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made, and the Fiscal Agent 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.

Book-Entry System

DTC will act as securities depository for the Bonds, and the Bonds will be registered in the name of Cede & Co. (DTC’s nominee). One fully-registered bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity of such Bonds, and will be deposited with DTC. **So long as Cede & Co. is the registered owner of the Bonds, references herein to the Owners of the Bonds shall mean Cede & Co. and shall not mean the actual purchasers (the “Beneficial Owners”) of the Bonds. The Community Facilities District does not give any assurances that DTC, its Direct Participants, Indirect Participants (as defined in Appendix E hereto) or others will distribute payments with respect to the Bonds or notices concerning the Bonds to the Beneficial Owners thereof or that DTC will service and act in the manner described in this Official Statement.**

See Appendix E for a further description of DTC and its book-entry system. The information presented therein is based solely on information provided by DTC, and no representation is made by the Community Facilities District or the Underwriter concerning the accuracy thereof.

Estimated Sources and Uses of Funds

The Bond proceeds are expected to be applied as follows:

Sources:	
Principal Amount of the Bonds	\$ 5,615,000.00
Less: Net Original Issue Discount	(10,807.45)
Less: Underwriter’s Discount	(70,187.50)
Total	<u>\$ 5,534,005.05</u>
Uses:	
Improvement Fund ⁽¹⁾	\$ 4,977,430.05
Reserve Account ⁽²⁾	371,575.00
Costs of Issuance Account	<u>185,000.00</u>
Total	<u>\$ 5,534,005.05</u>

⁽¹⁾ \$2,383,711.00 will be deposited into the Capacity Improvements Account, \$361,741.49 will be deposited into the EMWD Improvements Account and \$2,231,977.56 will be deposited into the School District Facilities Account.

⁽²⁾ Equal to the initial Reserve Requirement.

Debt Service Schedule

The following is the annual debt service schedule for the Bonds (assuming no redemption prior to maturity except from mandatory sinking fund redemption).

<i>Year Ending September 1</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Annual Debt Service</i>
2024	--	\$ 198,032.92	\$ 198,032.92
2025	\$ 95,000	276,325.00	371,325.00
2026	100,000	271,575.00	371,575.00
2027	105,000	266,575.00	371,575.00
2028	105,000	261,325.00	366,325.00
2029	110,000	256,075.00	366,075.00
2030	115,000	250,575.00	365,575.00
2031	120,000	244,825.00	364,825.00
2032	125,000	238,825.00	363,825.00
2033	135,000	232,575.00	367,575.00
2034	140,000	225,825.00	365,825.00
2035	145,000	219,875.00	364,875.00
2036	150,000	213,712.50	363,712.50
2037	155,000	207,337.50	362,337.50
2038	160,000	200,750.00	360,750.00
2039	170,000	192,750.00	362,750.00
2040	175,000	184,250.00	359,250.00
2041	185,000	175,500.00	360,500.00
2042	195,000	166,250.00	361,250.00
2043	200,000	156,500.00	356,500.00
2044	210,000	146,500.00	356,500.00
2045	220,000	136,000.00	356,000.00
2046	230,000	125,000.00	355,000.00
2047	240,000	113,500.00	353,500.00
2048	255,000	101,500.00	356,500.00
2049	265,000	88,750.00	353,750.00
2050	275,000	75,500.00	350,500.00
2051	290,000	61,750.00	351,750.00
2052	305,000	47,250.00	352,250.00
2053	320,000	32,000.00	352,000.00
2054	<u>320,000</u>	<u>16,000.00</u>	<u>336,000.00</u>
Total	\$ 5,615,000	\$ 5,383,207.92	\$ 10,998,207.92

Source: Underwriter.

LIMITATION OF LIABILITY

The Bonds are secured only by the Net Special Taxes and amounts on deposit in the Special Tax Fund established by the Indenture. In the event of delinquencies in the payment of Special Taxes, neither the Water District nor the Community Facilities District is required to advance any funds for the payment of debt service on the Bonds. The Community Facilities District will only be required to enforce delinquent Special Taxes in the manner provided in the Act and in its covenant to take judicial foreclosure proceedings as set forth in the Indenture. See “SECURITY FOR THE BONDS — Covenant for Superior Court Foreclosure.” The full faith and credit of the Water District and the Community Facilities District are not pledged to the payment of the Bonds, nor is the payment of the Bonds secured by any encumbrance, mortgage or other pledge of property of the Water District or the Community Facilities District, except the pledge described above.

SECURITY FOR THE BONDS

General

The Bonds are secured by a pledge of the Net Special Taxes of the Community Facilities District and all moneys deposited in the Special Tax Fund established by the Indenture. The Bonds are not secured by moneys on deposit in the Administrative Expense Fund, the Improvement Fund, the Rebate Fund or the Special Tax Holding Fund established by the Indenture.

The Indenture defines the term “Net Special Taxes” to mean Gross Special Taxes minus the amount (not in excess of the Administrative Expense Requirement) transferred to the Administrative Expense Fund. “Gross Special Taxes” is defined by the Indenture to mean the amount of all Special Taxes received by the Community Facilities District, together with proceeds collected from the sale of property in the Community Facilities District pursuant to the foreclosure provisions of the Indenture for the delinquency of Special Taxes after payment of administrative costs and attorneys’ fees payable from such proceeds to the extent not previously paid from the Administrative Expense Fund. The Administrative Expense Requirement is \$30,000 for Fiscal Year 2023-24. The Community Facilities District may increase the Administrative Expense Requirement each Bond Year by up to the lesser of: (a) 102% of the Administrative Expense Requirement applicable in the immediately preceding Bond Year or (b) the remainder of (i) the sum of the Maximum Special Tax applicable to each Parcel of Taxable Property in the Community Facilities District in the Fiscal Year that ends in such Bond Year minus (ii) 110% of Annual Debt Service for such Bond Year. See Appendix A — “SUMMARY OF THE INDENTURE — Definitions.”

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, the Special Tax is exempt from the tax rate limitation of California Constitution Article XIII A pursuant to Section 4 thereof because it constitutes a “special tax” authorized by a two-thirds vote of the qualified electors in the Community Facilities District. Consequently, the Community Facilities District is legally authorized and has covenanted in the Indenture to cause the levy and collection of the Special Tax in an amount determined according to the Rate and Method of Apportionment. See “SECURITY FOR THE BONDS — The Special Tax” and “SPECIAL RISK FACTORS — Proposition 218” below. The Rate and Method of Apportionment apportions the total amount of the Special Tax to be collected among the taxable parcels in the Community Facilities District as more particularly described herein. See “THE COMMUNITY FACILITIES DISTRICT — Rate and Method of Apportionment.” See also Appendix C — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

Although the Special Tax will be levied against taxable parcels within the Community Facilities District, it does not constitute a personal indebtedness of the respective property owners. There is no assurance that the property owners will be financially able to pay the annual Special Tax or that they will pay it even if financially able to do so. See “SPECIAL RISK FACTORS” herein.

The Special Tax

The Special Tax applicable to each parcel of Taxable Property within the Community Facilities District in each Fiscal Year is required to be calculated pursuant to the Rate and Method of Apportionment. See “THE COMMUNITY FACILITIES DISTRICT — Rate and Method of Apportionment” and Appendix C — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

The Special Tax is collected by the County at the same time and in the same manner as general *ad valorem* property taxes. The Indenture requires that the Fiscal Agent hold the Special Taxes in trust for the benefit of the Owners of the Bonds.

The Special Tax is not encompassed within the alternate procedure for the distribution of certain property tax levies on the secured roll pursuant to Chapter 3, Part 8, Division 1 of the California Revenue and

Taxation Code (Section 4701 *et seq.*), commonly referred to as the “Teeter Plan.” The County has adopted a Teeter Plan under which a tax distribution procedure is implemented and secured roll taxes are distributed to taxing agencies within the County on the basis of the tax levy, rather than on the basis of actual tax collections. However, the Community Facilities District does not participate in the County’s Teeter Plan; accordingly, the collection of the Special Tax is subject to delinquencies.

Except for the portion of any prepayment of Special Taxes levied within the Community Facilities District to be deposited to the Redemption Account, the Community Facilities District will, on each date on which the Special Taxes are received by the Community Facilities District, transfer the Special Taxes collected to the Fiscal Agent for deposit in the Special Tax Fund to be held in trust by the Fiscal Agent. The Fiscal Agent will use the Special Taxes on deposit in the Special Tax Fund in the following order of priority, to:

(1) Deposit in the Administrative Expense Fund an amount equal to the Administrative Expense Requirement or, if the Fiscal Agent receives written direction from the Community Facilities District to transfer a lesser amount, then such lesser amount, provided that not more than one half of the Administrative Expense Requirement shall be so transferred in any Fiscal Year prior to the date on which the balance on deposit in the Interest Account of the Special Tax Fund is at least equal to the interest payable on the Bonds and Parity Bonds on March 1;

(2) Deposit in the Interest Account of the Special Tax Fund the amount necessary to cause the balance on deposit therein to equal the interest coming due on the Bonds and Parity Bonds on the next succeeding Interest Payment Date;

(3) Deposit in the Principal Account of the Special Tax Fund the amount necessary to cause the balance on deposit therein to be equal to the principal amount of the Bonds and Parity Bonds and/or the Sinking Fund Payments payable on the next succeeding September 1;

(4) Deposit in the Redemption Account of the Special Tax Fund the amount necessary to pay any optional redemption of the Bonds and Parity Bonds as provided in the Indenture;

(5) Deposit in the Reserve Account of the Special Tax Fund the amount, if necessary, to cause the balance on deposit in the Reserve Account to equal the Reserve Requirement;

(6) Pay to the Community Facilities District any Administrative Expenses in excess of the Administrative Expense Requirement that the Community Facilities District has requested be paid or reimbursed to it;

(7) Deposit in the Rebate Fund the amounts required to be deposited therein pursuant to the Indenture; and

(8) Deposit in the Special Tax Holding Fund, after all of the foregoing deposits and transfers have been completed, any remaining amount directed in writing by the Community Facilities District.

Notwithstanding the foregoing: (i) the portion of any Prepayment of a Special Tax received by the Community Facilities District that is the “Future Facilities Amount” (as defined in the Rate and Method of Apportionment) is required to be transferred to the Fiscal Agent for deposit in the Improvement Fund; and (ii) the portion of any such Prepayment that is to be applied to the redemption of Bonds and Parity Bonds is required to be transferred to the Fiscal Agent for deposit in the Redemption Account.

Annual Debt Service for the Bonds has been structured so that Net Special Taxes levied on Developed Property and Approved Property, based on the development status within the Community Facilities District as of November 1, 2023, 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, assuming that

Special Taxes are levied and collected on the Developed Property and Approved Property in the Community Facilities District pursuant to the Rate and Method of Apportionment and that the Administrative Expense Requirement increases at the rate of two percent per year. “Developed Property” under the Rate and Method of Apportionment generally means taxable parcels for which a building permit has been issued by April 1 of the Fiscal Year preceding the Special Tax levy. “Approved Property” under the Rate and Method of Apportionment generally means taxable parcels 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 on or prior to the April 1 preceding such Fiscal Year.

The Community Facilities District intends to base the Special Tax levy to reflect the final debt service requirement of the Bonds and Administrative Expenses. Special Taxes were levied in Fiscal Year 2023-24 in the amount of \$256,780.00 on 81 parcels of taxable parcels classified as Developed Property within the Community Facilities District, based on the development status within the Community Facilities District as of April 1, 2023. As of November 1, 2023, all but one of the building permits within the Community Facilities District have been obtained. Based on development status as of November 1, 2023, 138 parcels within the Community Facilities District will be classified as Developed Property and one parcel will be classified as Approved Property for the projected Fiscal Year 2024-25 Special Tax levy if no further development within the Community Facilities District occurs. See Table 1.

See “THE COMMUNITY FACILITIES DISTRICT — Rate and Method of Apportionment.” See “THE COMMUNITY FACILITIES DISTRICT — Direct and Overlapping Debt” herein for a discussion of the Water District’s total effective tax rate policy.

Reserve Account

In order to secure further the payment of principal of and interest on the Bonds and any Parity Bonds, the Community Facilities District will deposit proceeds of the Bonds into the Reserve Account in an amount sufficient to make the balance on deposit therein equal the Reserve Requirement. The Reserve Requirement is defined in the Indenture as the amount, as of any date of calculation, that is equal to the least of (i) 10% of the initial principal amount of the Bonds and any Parity Bonds, (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, or (iv) until such time that Parity Bonds are issued, \$371,575.00, the initial Reserve Requirement for the Bonds.

Moneys in the Reserve Account shall be used solely for the purpose of (i) paying principal of, including Sinking Fund Payments, and interest on the Bonds and any Parity Bonds when due, and (ii) making any required transfer to the Rebate Fund upon written direction from the Community Facilities District or any required transfer to the Redemption Account. For a further discussion of the Reserve Account, see Appendix A — “SUMMARY OF THE INDENTURE — Creation of Funds; Application of Proceeds; and Special Taxes — *Reserve Account of the Special Tax Fund.*”

Covenant for Superior Court Foreclosure

Pursuant to Section 53356.1 of the Act, the Community Facilities District has covenanted in the Indenture with and for the benefit of the Bondowners that it will order, and cause to be commenced, on or before October 1 of the Fiscal Year immediately following the Fiscal Year in which a delinquency in the payment of a Special Tax occurs, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due, provided that the Community Facilities District need not commence or pursue such proceedings with respect to any property owned by a single property owner who is delinquent in the payment of Special Taxes in an amount less than \$5,000 if both (i) the aggregate amount of such delinquent Special Taxes does not exceed 5% of the total Special Taxes due and payable for the Fiscal Year in question and (ii) the balance on deposit in the Reserve Account is not less than the Reserve Requirement.

Pursuant to the Act, the Community Facilities District may waive delinquency penalties and redemption penalties if it determines that (i) the waivers shall apply only to parcels delinquent at the time of the determination, (ii) the waivers shall only be available with respect to parcels for which all past due and currently due Special Taxes and all other related costs are paid in full within a limited period of time specified in the determination, (iii) the waivers shall be available only with respect to parcels sold or otherwise transferred to new owners unrelated to the owner responsible for the delinquency, and (iv) the waivers are in the best interest of the Owners of the Bonds.

In the event foreclosure or foreclosures are necessary, there may be a delay in payments to Bond Owners pending prosecution of the foreclosure proceedings and receipt by the Community Facilities District of the proceeds of the foreclosure sale; it is also possible that no bid for the purchase price or applicable property would be received at the foreclosure sale. See “SPECIAL RISK FACTORS — Enforcement Delays – Bankruptcy.” Notwithstanding any other provision of the Indenture, the Water District is not obligated to advance available funds from the Water District Treasury to cure any deficiency in the Special Tax Fund established and held under the Indenture.

Water District’s Collection Practices

The staff of the Water District provides administrative and other support services for the community facilities districts that have been formed by the Water District. These services include, but are not limited to, attempting to collect delinquent special taxes prior to the commencement of foreclosure proceedings by sending demand letters to property owners whose special taxes are delinquent advising them of the consequences of failing to pay the applicable special taxes. The current practices of the Water District’s staff are summarized below.

Within approximately six weeks following each December 10 and April 10 (the respective dates on which the first and second installment of special taxes become delinquent), the County notifies the Water District of delinquencies within the Water District’s community facilities districts. Generally, it is the Water District’s practice to send out demand letters to delinquent property owners within 60 days of being notified of such delinquencies. The Water District generally allows at least 30 days from the date of mailing the demand letters before commencing foreclosure proceedings. In some circumstances, the Water District allows homeowners to pay delinquent Special Taxes and penalties in six-month installments.

The Water District is not required to continue the collection practices described herein, but it has no current intention of ceasing to do so. The Community Facilities District has covenanted in the Indenture to commence foreclosure proceedings by October 1 following the fiscal year in which the delinquencies occurred, except under certain circumstances. See “SECURITY FOR THE BONDS — Covenant for Superior Court Foreclosure.”

Additional Bonds for Refunding Purposes Only

The Community Facilities District will covenant in the Indenture that it will not issue any Parity Bonds payable from the Net Special Taxes or from any other amounts in the Special Tax Fund on a parity with the Bonds except for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then Outstanding. Parity Bonds issued to effect a partial refunding of Bonds or Parity Bonds shall be issued subject to certain additional specific conditions, as described in the Indenture. See Appendix A — “SUMMARY OF THE INDENTURE — General Authorization and Bonds Terms — *Issuance of Additional Bonds for Refunding Purposes.*”

THE WATER DISTRICT

The Water District is located in Riverside County, California and includes the Cities of Temecula, Murrieta, Moreno Valley, Hemet, San Jacinto, Perris and Menifee, as well as unincorporated portions of the

County. The Water District was established in 1950 and is a municipal water district formed and existing pursuant to the Municipal Water District Law of 1911, Division 20 (commencing at Section 71000) of the Water Code of the State. The Water District provides both water and wastewater services within its boundaries. Although at the time of its formation the major demand for the Water District's services was related to agriculture, domestic customers now constitute the major portion of the demand for such services. The Water District encompasses 555 gross square miles and has a current estimated population of nearly 1,000,000.

THE COMMUNITY FACILITIES DISTRICT

General Information

The Board formed the Community Facilities District under the Act in order to provide for the financing of public improvements to meet the needs of new development within the Community Facilities District. The then owner of all of the property within the Community Facilities District authorized the Community Facilities District to incur bonded indebtedness, approved the Rate and Method of Apportionment and authorized the levy of the Special Tax.

The Community Facilities District is located north of Benton Road, south of San Remo Drive, east of Sicily Lane and west of Pourroy Road in an area known as Winchester in an unincorporated portion of the County.

The Community Facilities District consists of approximately 15.4 gross acres, comprised of Tract No. 37715 which are planned to be improved with a total of 139 residential units by Meritage. The development plan is for Meritage to construct 139 single-family residential units within the Community Facilities District in a development known as "Tierra Del Sol." Tierra Del Sol has three model floor plans of two story single-family homes. For more information with respect to Meritage and the development plan within the Community Facilities District, see the caption "PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT."

As of September 22, 2023, the Date of Value of the Appraisal (defined herein), the Community Facilities District included 61 completed production homes which had closed escrow to individual homeowners. Of the remaining 78 lots owned by Meritage as of such date, there were 20 completed homes (2 of which were model homes), 8 residential units under construction and 50 vacant lots. As of September 22, 2023, 24 lots owned by Meritage were in escrow. As of November 1, 2023, 78 completed homes had been conveyed to individual homeowners. Of the remaining 61 lots owned by Meritage as of November 1, 2023, 2 were completed model homes, 19 were residential units under construction (11 of which were in escrow) and 40 were vacant lots. Homes under contract may not result in closed escrows as sales contracts are subject to cancellation during escrow. See the caption "PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT" for more information regarding Meritage and the development within the Community Facilities District.

Water and sewer service to the property within the Community Facilities District is currently supplied by the Water District. Electricity is currently supplied by Southern California Edison and natural gas is provided by Southern California Gas Company and public education by the Temecula Valley Unified School District.

Although, like all of Southern California, the land within the Community Facilities District is subject to seismic activity, it is not located within an Alquist-Priolo Earthquake Fault Zone. The nearest earthquake fault zones to the Community Facilities District are the Elsinore Fault Zone and the San Jacinto Fault Zone, located approximately 5.8 miles to the southwest and approximately 14.5 miles to the northeast, respectively. See the caption "SPECIAL RISK FACTORS — Geologic, Topographic and Climatic Conditions."

A map showing the location of the Community Facilities District and an aerial photograph thereof appear following the Table of Contents, respectively, and information about the ownership and planned development of such property is set forth under the caption "PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT."

The Project

The Project includes the acquisition or construction of (i) certain water and sewer system improvements by or for the Water District that are required in order to provide water and sewer service to the property within the Community Facilities District and payments to the Water District of the Community Facilities District's share of the costs of the Water District's water, sewer and sewer treatment facilities; and (ii) certain school facilities by or for the School District that are required in connection with the development within the Community Facilities District.

Rate and Method of Apportionment

The Rate and Method of Apportionment is contained in Appendix C — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” Capitalized terms used and not defined under this caption “Rate and Method of Apportionment” shall have the meanings ascribed thereto in Appendix C.

Assignment to Land Use Categories. In general, the Rate and Method of Apportionment imposes a different Maximum Special Tax on Taxable Property within the Community Facilities District depending upon whether such Taxable Property is classified as: (i) “Developed Property” (in general, 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 and for which a building permit for new construction was issued on or prior to the April 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 on or prior to the April 1 preceding such Fiscal Year), (iii) “Undeveloped Property” (in general, Taxable Property that is not “Developed Property” or “Approved Property,” “Public Property” or “Property Owners’ Association Property”) (iv) “Public Property” (in general, Taxable Property which, as of July 1 of the Fiscal Year in which the Special Tax is being levied, are used for rights-of-way or any other purpose and is owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State, the County, or any other local jurisdiction, provided, however, that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act will be taxed and classified according to its use, and/or (v) “Property Owners’ Association Property” (in general, Taxable Property which, as of July 1 of the Fiscal Year in which the Special Tax is being levied, has been conveyed, dedicated to, or irrevocably offered for dedication to a property owner association, including any master or sub-association). Different Maximum Special Taxes are also applicable to Developed Property depending upon: (a) its status as either “Residential Property” or “Non-Residential Property,” or (b) in the case of Residential Property, its status as “Single-Family Property” or “Multifamily Residential Property.” Parcels of Single-Family Property will also be further categorized based on the Residential Floor Area of the Dwelling Unit constructed on such parcel.

Method of Apportionment of Special Tax. Pursuant to the Rate and Method of Apportionment the Board is required to determine the “Special Tax Requirement” for each Fiscal Year. The Special Tax Requirement is the amount required in any Fiscal Year to pay: (i) annual debt service on all outstanding Bonds due in the calendar year which commences in such Fiscal Year, (ii) periodic costs on such Bonds, including but not limited to, credit enhancement and rebate on the Bonds, (iii) Administrative Expenses, (iv) any anticipated shortfall due to Special Tax delinquencies in the prior Fiscal Year, (v) any amounts required to establish or replenish any reserve funds for the outstanding Bonds, and (vi) until the final series of Bonds are issued as determined by the Board, to pay directly for acquisition or construction of the facilities eligible under the Act, provided that the inclusion of such amount does not increase the levy of Special Tax on Approved Property or Undeveloped Property as set forth in the Rate and Method of Apportionment, less (vii) a credit for funds available to reduce the annual Special Tax levy as determined pursuant to the Indenture as determined by the Administrator.

The Special Tax Requirement is to be satisfied first by levying the Special Tax Proportionately on each 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 shall be levied Proportionately on each Parcel

of Approved Property at up to 100% of the Maximum Special Tax for Approved Property as needed to satisfy the Special Tax Requirement. If additional moneys are still needed to satisfy the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property as needed to satisfy the Special Tax Requirement. If additional moneys are still needed to satisfy the Special Tax Requirement, the Special Tax that is to be levied on each Parcel of Developed Property whose Maximum Special Tax is derived by the application of the Backup Special Tax shall be increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax for such Parcel as needed to satisfy the Special Tax Requirement. Finally, any additional amounts required in order to satisfy the Special Tax Requirement shall be raised by the levy of the Special Tax Proportionately on each Parcel of Public Property or Property Owners' Association Property that is not Exempt Property at up to 100% of the applicable Maximum Special Tax for such Parcel as needed to satisfy the Special Tax Requirement. *Notwithstanding the above, under no circumstances will the Special Tax levied against any Parcel of Residential Property be increased as a consequence of delinquency or default by the owner or owners of any other parcel or parcels by more than 10% per Fiscal Year above the amount that would have been levied in that Fiscal Year had there never been any such delinquency or default.*

The Community Facilities District intends to base the Special Tax levy to reflect the final debt service requirement of the Bonds and Administrative Expenses. Special Taxes were levied in Fiscal Year 2023-24, the first fiscal year of the Special Tax levy, in the amount of \$256,780.00 on 81 parcels of taxable parcels classified as Developed Property within the Community Facilities District, based on the development status within the Community Facilities District as of April 1, 2023. Based on development status as of November 1, 2023, 138 parcels within the Community Facilities District will be classified as Developed Property and one parcel will be classified as Approved Property for the projected Fiscal Year 2024-25 Special Tax levy if no further development within the Community Facilities District occurs. As of November 1, 2023, the Developer had obtained all but one of the building permits, which cannot be issued until the model home complex is shut down. The Developer anticipates obtaining the final building permit in the second quarter of 2024. See the caption "PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT — Development Plan."

Assigned Special Tax. The Assigned Special Tax for Developed Property that is classified as Single-Family Property ranges from \$3,080 per taxable unit with a Residential Floor Area of less than 1,800 square feet to \$3,280 per taxable unit with a Residential Floor Area of greater than 2,100 square feet.

Prepayment of Special Taxes. The Maximum Special Tax obligation for a Parcel may be prepaid in full or in part, provided that the terms set forth in the Rate and Method of Apportionment are satisfied. The Prepayment amount is calculated based on the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance Amount, Administrative Fees and Expenses, less a credit for the resulting reduction in the Reserve Requirement for the Bonds (if any), all as specified in Section H of the Rate and Method of Apportionment, attached hereto as Appendix C. Prepayments of Special Taxes will be applied to effect a special mandatory redemption of Bonds. See "THE BONDS — Redemption — *Special Mandatory Redemption from Prepayments.*

Estimated Debt Service Coverage. Annual Debt Service for the Bonds in each Fiscal Year beginning in Fiscal Year 2024-25 has been structured so that Assigned Special Taxes levied on all taxable parcels of Developed Property (138 lots) and Special Taxes levied on Approved Property (1 lot) as of November 1, 2023, assuming no delinquencies, will generate in each Fiscal Year not less than 110% of the sum of the Administrative Expense Requirement plus 110% of debt service payable with respect to the Outstanding Bonds in the calendar year that begins in that Fiscal Year, plus estimated Administrative Expenses, assuming that Special Taxes are levied and collected on such Developed Property and Approved Property in the Community Facilities District pursuant to the Rate and Method and that the Administrative Expense Requirement increases at the rate of two percent per year. The Community Facilities District may increase the Administrative Expense Requirement each Bond Year. See "SECURITY FOR THE BONDS — General." However, the Assigned Special Tax does not escalate over time.

Table 1 below sets forth the Assigned Special Tax per unit of Developed Property and Approved Property, the projected Fiscal Year 2024-25 Special Tax per unit classification, the projected Fiscal Year 2024-25 Special Tax levy based on the development status within the Community Facilities District as of November 1, 2023 and the percent of such levy based on land use class. In Fiscal Year 2023-24 the actual Special Tax levy is \$256,780.00 levied on the 81 parcels classified as Developed Property as of April 1, 2023.

**TABLE 1
COMMUNITY FACILITIES DISTRICT NO. 2019-86 (TIERRA DEL SOL)
OF EASTERN MUNICIPAL WATER DISTRICT
ASSIGNED SPECIAL TAXES**

<i>Land Use</i>	<i>Tax Class</i>	<i>Residential Floor Area</i>	<i>No. of Units⁽¹⁾</i>	<i>Assigned Special Tax Per Unit⁽²⁾</i>	<i>Projected Fiscal Year 2024-25 Special Tax Per Unit⁽¹⁾</i>	<i>Total</i>	<i>Percent of Total</i>
						<i>Projected Fiscal Year 2024-25 Special Tax Levy⁽¹⁾⁽³⁾</i>	<i>Projected Fiscal Year 2024-25 Special Tax Levy</i>
Single Family Property	SFR-1	Less than 1,800 sq. ft.	54	\$3,080	\$2,828	\$ 152,712	38.00%
Single Family Property	SFR-2	1,800 sq. ft. to 2,100 sq. ft.	41	3,180	2,920	119,713	29.78
Single Family Property	SFR-3	Greater than 2,100 sq. ft.	43	3,280	3,012	129,500	32.22
Approved Property	APP	N/A	<u>1</u>	3,524	0	<u>0</u>	<u>0.00</u>
Totals			139			\$ 401,925	100.00%

⁽¹⁾ Based on development status as of November 1, 2023.

⁽²⁾ For parcels of Approved Property, figure represents the maximum tax per parcel.

⁽³⁾ Based upon the debt service requirement of the Bonds and includes \$30,600 in estimated Fiscal Year 2024-25 priority administration expenses.

Source: Webb Municipal Finance, LLC.

Property Values

In order to provide information with respect to the value of the land within the Community Facilities District, the Water District engaged Stephen G. White, MAI, to prepare the Appraisal. The principal of the Appraiser, who was actively involved in the preparation of the Appraisal, has an “MAI” designation from the Appraisal Institute and has prepared numerous appraisals for the sale of land secured municipal bonds. The Appraiser was selected by the Water District and has no material relationships with the Water District, the Community Facilities District or the owners of the land within the Community Facilities District other than the relationship represented by the engagement to prepare the Appraisal and other similar engagements for the Water District. The Water District instructed the Appraiser to prepare its analysis and report in conformity with Water District-approved guidelines and the Appraisal Standards for Land Secured Financings published in 1994 and revised in 2004 by the commission now known as California Debt and Investment Advisory Commission. A copy of the Appraisal Report is included as Appendix D to this Official Statement.

The purpose of the Appraisal was to estimate the “as is” market value of the fee simple estate, subject to special tax and special assessment liens, of the property within the Community Facilities District. Subject to the assumptions and limiting conditions set forth in the Appraisal Report, the Appraiser concluded that, as of September 22, 2023, the market value of the Taxable Property within the Community Facilities District was \$52,770,000, consisting of \$33,550,000 for the 61 completed homes conveyed to individual homeowners, \$8,600,000 for the 2 completed model homes and 18 completed production homes owned by Meritage as of September 22, 2023, \$1,480,000 for the 8 homes under construction and \$9,140,000 for the 50 vacant lots. See Appendix D — “APPRAISAL REPORT.”

Reference is made to Appendix D for a complete list and full discussion of the applicable contingencies, assumptions and limiting conditions and the methodology employed by the Appraiser. In the event that any of the assumptions and limiting conditions are not actually realized, the value of the property within the Community

Facilities District may be less than the amount reported in the Appraisal Report. In any case, there can be no assurance that any portion of the property within the Community Facilities District would actually sell for the amount indicated by the Appraisal. Moreover, such assumptions and limiting conditions that are described in Appendix D are based on information as of September 22, 2023, the Date of Value of the Appraisal.

The Appraisal merely indicates the Appraiser's opinion as to the market value of the property referred to therein as of the date and under the conditions specified therein. The Appraiser's opinion reflects conditions prevailing in the applicable market as of the Date of 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 adversely change in the future.

The Appraiser has specifically consented to the inclusion of the Appraisal Report in this Official Statement.

Prior to the issuance of the Bonds, the Appraiser will deliver to the Water District a certificate stating that the Appraiser is aware that acts and events may have occurred since the Date of Value of the Appraisal which could result in both positive and negative effects on the market value. However, the Appraiser has not performed additional research or valuation analysis specific to the District since the Date of Value of the Appraisal and has not undertaken any obligation to do so.

Value-to-Lien Ratios

The value of the property within the Community Facilities District is significant to an evaluation of the Bonds because, in the event of a delinquency in the payment of Special Taxes, the Community Facilities District may foreclose only against delinquent parcels. Likewise, the ratio of the value of a parcel to its "share" of the Bonds is important because it provides an indication of the extent of the relative burden imposed on each parcel by the Special Tax. As indicated above, the appraised value of the property within the Community Facilities District is \$52,770,000. The ratio of that value to the \$5,615,000 total principal amount of the Bonds and other direct and overlapping land-secured debt within the District, excluding general obligation bond indebtedness, is approximately 9.40-to-1. Taking into account such general obligation bond indebtedness, the ratio of the appraised value of the Taxable Property within the Community Facilities District to the total principal amount of all outstanding direct and overlapping debt for the Community Facilities District is approximately 9.20-to-1. See "—Direct and Overlapping Debt" below.

Table 2 below sets forth the value-to-lien ratios of Taxable Property by property owner and development status, and Table 3 below sets forth the stratification of value-to-liens of the Taxable Property (based on the projected Fiscal Year 2024-25 Special Tax levy based on the development status within the Community Facilities District as of September 22, 2023) within the Community Facilities District based on the appraised values of such property as described in the Appraisal Report, and such parcels' respective shares of the principal amount of the Bonds (allocated to each parcel based upon its respective share of the total projected Special Tax levy for Fiscal Year 2024-25). Each of the aforesaid value-to-lien ratios is for all of the Community Facilities District, however, the ratios of the appraised value of individual lots within the Community Facilities District to their respective shares of the principal amount of the Bonds can be expected to vary substantially depending upon the status of development and selling price thereof. See Table 3 below.

No assurance can be given that, should a delinquent parcel be foreclosed and sold for the amount of the delinquency, any bid will be received for such parcel, or if a bid is received that such bid will be sufficient to pay such delinquent Special Taxes.

TABLE 2
COMMUNITY FACILITIES DISTRICT NO. 2019-86 (TIERRA DEL SOL)
OF EASTERN MUNICIPAL WATER DISTRICT
APPRAISED VALUE-TO-LIEN RATIOS BY PROPERTY OWNER

<i>Property Owner⁽¹⁾</i>	<i>Parcels</i>	<i>Maximum Special Tax</i>	<i>Percent of Maximum Special Tax</i>	<i>Projected Fiscal Year 2024-25 Special Tax Levy⁽²⁾</i>	<i>Projected Fiscal Year 2024-25 Special Tax Levy</i>	<i>Total Appraised Value</i>	<i>Bonds⁽³⁾</i>	<i>Aggregate Value-to-Lien</i>
Approved Meritage ⁽⁴⁾	33	\$ 116,298	23.74%	\$ 65,945	16.41%	\$ 6,032,400	\$ 921,269	6.55:1
Subtotal Approved	33	\$ 116,298	23.74%	\$ 65,945	16.41%	\$ 6,032,400	\$ 921,269	6.55:1
Developed Meritage	45	\$ 158,588	32.37%	\$ 142,500	35.45%	\$ 13,187,600	\$ 1,990,763	6.62:1
Developed Individual ⁽⁴⁾	61	214,974	43.88	193,480	48.14%	33,550,000	2,702,967	12.41:1
Subtotal Developed	106	\$ 373,562	76.26%	\$ 335,980	83.59%	\$ 46,737,600	\$ 4,693,731	9.96:1
Totals	139	\$ 489,860	100.00%	\$ 401,925	100.00%	\$ 52,770,000	\$ 5,615,000	9.40:1

⁽¹⁾ Based upon ownership information and development status as of September 22, 2023.

⁽²⁾ Based upon the debt service requirement of the Bonds and includes estimated Fiscal Year 2024-25 Administrative Expense Requirement of \$30,600.

⁽³⁾ Allocated based on the projected Fiscal Year 2024-25 Special Tax Levy.

⁽⁴⁾ As of November 1, 2023, an additional 17 completed homes had been conveyed to individual homeowners. Additionally, an additional 32 building permits had been obtained, and such parcels will be classified as Developed Property under the Rate and Method of Apportionment for the Fiscal Year 2024-25 Special Tax levy. See PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT — Development Plan.”

Source: Webb Municipal Finance, LLC.

TABLE 3
COMMUNITY FACILITIES DISTRICT NO. 2019-86 (TIERRA DEL SOL)
OF EASTERN MUNICIPAL WATER DISTRICT
VALUE-TO-LIEN STRATIFICATION

<i>Appraised Value to Lien⁽¹⁾</i>	<i>No. of Parcels⁽²⁾</i>	<i>Percent of Total Parcels</i>	<i>Total Appraised Value</i>	<i>Percent of Total Appraised Value</i>	<i>Projected Fiscal Year 2024-25 Levy⁽³⁾</i>	<i>Percent of Total Projected Fiscal Year 2024-25 Levy</i>	<i>Bonds</i>	<i>Aggregate Value-to-Lien</i>
Less than 4.00:1 ⁽⁴⁾	4	2.88%	\$ 731,200	1.39%	\$ 13,120	3.26%	\$ 183,290	3.99:1
Between 4.00:1 to 7.99:1	54	38.85	9,888,800	18.74	132,025	32.85	1,844,425	5.36:1
Between 8.00:1 to 11.99:1	20	14.39	8,600,000	16.30	63,300	15.75	884,318	9.73:1
Greater than 11.99:1 ⁽⁵⁾	<u>61</u>	<u>43.88</u>	<u>33,550,000</u>	<u>63.58</u>	<u>193,480</u>	<u>48.14</u>	<u>2,702,967</u>	<u>12.41:1</u>
Total	139	100.00%	\$ 52,770,000	100.00%	\$ 401,925	100.00%	\$ 5,615,000	9.40:1

⁽¹⁾ Value-to-lien ratios based upon principal amount of the Bonds.

⁽²⁾ Based upon development status as of September 22, 2023.

⁽³⁾ Based upon the debt service requirement of the Bonds and includes estimated Fiscal Year 2024-25 Administrative Expense Requirement of \$30,600.

⁽⁴⁾ Minimum estimated value-to-lien is 3.99:1.

⁽⁵⁾ Maximum estimated value-to-lien is 12.78:1.

Source: Webb Municipal Finance, LLC.

Direct and Overlapping Debt

The Community Facilities 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 Community Facilities 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 Community Facilities District; and such districts or the agencies that formed them could issue more bonds and levy additional special taxes or assessments.

**TABLE 4
COMMUNITY FACILITIES DISTRICT NO. 2019-86 (TIERRA DEL SOL)
OF EASTERN MUNICIPAL WATER DISTRICT
DIRECT AND OVERLAPPING DEBT**

APPRAISED VALUE							
Appraised Valuation ⁽¹⁾							\$52,770,000
LAND SECURED BOND INDEBTEDNESS							
<i>Outstanding Direct and Overlapping Bonded Debt</i>							
EMWD CFD No. 2019-86	Type	Parcels	Issued	Outstanding	%	Amount	
	CFD	139	\$ 5,615,000	\$ 5,615,000 ⁽²⁾	100.00%	\$ 5,615,000	
TOTAL LAND SECURED BONDED DEBT⁽³⁾							\$ 5,615,000
<i>Authorized and Unissued Direct and Overlapping Bonded Debt</i>							
EMWD CFD No. 2019-86	Type	Parcels	Issued	Outstanding	%	Amount	
	CFD	139	\$ 8,000,000	\$ 0 ⁽⁴⁾	100.00%	\$ 0	
TOTAL UNISSUED LAND SECURED INDEBTEDNESS⁽³⁾							\$ 0
TOTAL OUTSTANDING AND UNISSUED LAND SECURED INDEBTEDNESS							\$ 5,615,000
GENERAL OBLIGATION BOND INDEBTEDNESS							
<i>Outstanding Direct and Overlapping Bonded Debt</i>							
Metro Water East (0.00350%)	Type	Parcels	Issued	Outstanding	%	Amount	
	GO	139	\$850,000,000	\$ 19,215,000	0.00043%	\$ 83	
Temecula Unified School B&I (0.02389%)	GO	139	164,997,035	159,434,716	0.05338	85,101	
Mt San Jacinto Community College (0.01320%)	GO	139	295,000,000	242,210,000	0.01431	34,653	
TOTAL GENERAL OBLIGATION BONDED DEBT⁽³⁾							\$ 119,837
<i>Authorized and Unissued Direct and Overlapping Indebtedness</i>							
Metro Water East (0.00350%)	Type	Parcels	Issued	Outstanding	%	Amount	
	GO	139	\$850,000,000	\$ 0	0.00043%	\$ 0	
Temecula Unified School B&I (0.02389%)	GO	139	230,000,000	65,002,965	0.05338	34,697	
Mt San Jacinto Community College (0.01320%)	GO	139	295,000,000	0	0.01431	0	
TOTAL UNISSUED GENERAL OBLIGATION INDEBTEDNESS⁽³⁾							\$ 34,697
TOTAL OUTSTANDING AND UNISSUED GENERAL OBLIGATION INDEBTEDNESS							\$ 154,534
TOTAL OF ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT							\$ 5,734,837
TOTAL OF ALL OUTSTANDING AND UNISSUED DIRECT AND OVERLAPPING INDEBTEDNESS							\$ 5,769,534

IV. Ratios to Appraised Valuation

Outstanding Land Secured Bonded Debt	9.40:1
Total Outstanding Direct and Overlapping Bonded Debt	9.20:1

⁽¹⁾ Appraised valuation is as of September 22, 2023.

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

⁽³⁾ Additional bonded debt or available bond authorization may exist but is not shown because a tax was not levied for Fiscal Year 2023-24.

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

⁽⁵⁾ Percentage applicable determined by Fiscal Year 2023-24 Equalized Roll Assessed Value information.

Source: Webb Municipal Finance, LLC.

Annual Debt Service for the Bonds in each Fiscal Year beginning in Fiscal Year 2024-25 has been structured so that Assigned Special Taxes levied on all taxable parcels of Developed Property (138 lots) and Special Taxes levied on Approved Property (1 lot) as of November 1, 2023, assuming no delinquencies, will generate in each Fiscal Year not less than 110% of the sum of the Administrative Expense Requirement plus 110% of debt service payable with respect to the Outstanding Bonds in the calendar year that begins in that Fiscal Year, plus estimated Administrative Expenses, assuming that Special Taxes are levied and collected on such Developed Property and Approved Property in the Community Facilities District pursuant to the Rate and Method and that the Administrative Expense Requirement increases at the rate of two percent per year.

Based on the principal amount of the Bonds, interest costs and estimated Administrative Expenses and Fiscal Year 2023-24 tax rates for all other taxing jurisdictions within the Community Facilities District, the total projected Fiscal Year 2024-25 average effective tax rate for parcels of Developed Property within the Community Facilities District is approximately 1.73% of the average appraised value of a parcel of Developed Property indicated as having been conveyed to an individual homeowner in the Appraisal Report. The Water District’s policies require that the total effective tax rate not exceed 2% of the projected sales prices at the time of formation of a community facilities district and at the time of bond issuance by a community facilities district.

The following table sets forth the estimated Fiscal Year 2024-25 average effective tax rate for parcels of Developed Property within the Community Facilities District, based on the average appraised value for parcels indicated as complete and having been conveyed to individual homeowners in the Appraisal Report.

TABLE 5
COMMUNITY FACILITIES DISTRICT NO. 2019-86 (TIERRA DEL SOL)
OF EASTERN MUNICIPAL WATER DISTRICT
AVERAGE PROJECTED FISCAL YEAR 2024-25 TAX OBLIGATION⁽¹⁾
FOR INDIVIDUALLY OWNED PARCELS OF DEVELOPED PROPERTY

Average Projected Home Value ⁽²⁾	\$ 550,000
<i>Ad Valorem</i> Property Taxes:	
Basic Levy (1.0000%)	\$ 5,500.00
Metro Water East (0.00350%)	19.25
Temecula Unified School B&I (0.02389%)	131.40
Mt San Jacinto Comm (0.01320%)	<u>72.60</u>
Total General Property Taxes	\$ 5,723.25
Assessment, Special Taxes & Parcel Charges:	
Valleywide Regional FAC LMD 88-1	\$ 5.54
CFD French Valley	585.48
CSA #152	10.54
Flood Control Stormwater/Cleanwater	3.76
EMWD Infrastructure Availability Charge	25.00
MWD Standby East	6.94
CFD No. 2019-86 (Tierra Del Sol) ⁽³⁾	<u>3,171.80</u>
Total Projected Assessment Charges	<u>\$ 3,809.06</u>
Average Total Property Tax	\$ 9,532.31
Average Effective Tax Rate	1.73%

⁽¹⁾ Average Fiscal Year 2024-25 tax rates based upon Fiscal Year 2023-24 overlapping taxes and assessments.

⁽²⁾ Average Projected Home Value is based upon average Appraised Value for Developed Property indicated as being conveyed to individual homeowners per the Appraisal.

⁽³⁾ Reflects average projected Fiscal Year 2024-25 Special Taxes for Developed Property indicated as being conveyed to individual homeowners.

Source: Webb Municipal Finance, LLC.

Top Taxpayers

Special Taxes were levied in Fiscal Year 2023-24 in the amount of \$256,780.00 on 81 parcels of taxable parcels classified as Developed Property within the Community Facilities District, based on the development status within the Community Facilities District as of April 1, 2023. Based on development status as of November 1, 2023, assuming no further development within the Community Facilities District, Special Taxes for Fiscal Year 2024-25 in the amount of \$401,925.00 are projected to be levied on 138 parcels classified as Developed Property under the Rate and Method of Apportionment. See Table 1. As of November 1, 2023, the Developer had obtained all but one of the building permits for the 139 single-family detached residential units expected to be constructed within the Community Facilities District. The final building permit cannot be issued until the model home complex is shut down. The Developer anticipates obtaining the final building permit in the second quarter of 2024. See the caption “PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT — Development Plan.”

Based on ownership and development status as of November 1, 2023, Meritage and individual homeowners are expected to be responsible for approximately 43.52% and 56.48%, respectively, of the projected Fiscal Year 2024-25 Special Tax levy within the Community Facilities District. The Community Facilities District is not aware of any other property owner beside Meritage which owns more than one parcel within the Community Facilities District.

PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT

The information provided in this section has been included because it may be considered relevant to an informed evaluation and analysis of the Bonds and the Community Facilities District. No assurance can be given, however, that the proposed development of the property within the Community Facilities District will occur in a timely manner or in the configuration or to the density described herein, or that Meritage, any owners or affiliates thereof, or any other property owner will or will not retain ownership of its respective property within the Community Facilities District. There may be material adverse changes in this information after the date of the Official Statement. Neither the Bonds nor any of the Special Tax are personal obligations of any property owner within the Community Facilities District and, in the event that any property owner defaults in the payment of its Special Tax, the Community Facilities District may proceed with judicial foreclosure but has no direct recourse to the assets of any property owner or any affiliate thereof. The Bonds are secured solely by the Net Special Tax Revenues and amounts on deposit in certain of the funds and accounts maintained by the Trustee under the Indenture. See “SPECIAL RISK FACTORS” for a discussion of certain of the risk factors that should be considered in evaluating the investment quality of the Bonds. The following information regarding ownership and planned development of the Community Facilities District has been provided by Meritage. No representation is made by the Community Facilities District or the Underwriter as to the accuracy or adequacy of such information so provided.

Meritage

Meritage Homes of California, Inc., a California corporation (previously defined as “Meritage”) is a subsidiary of Meritage Homes Corporation (“Meritage Homes Corporation”), a Maryland corporation. Meritage Homes Corporation is a homebuilder focused primarily on high-growth regions of the western and southern United States. Meritage Homes Corporation operates as a holding company, has no independent assets or operations, and is traded on the New York Stock Exchange (“NYSE”) under the ticker symbol “MTH.” Homebuilding, construction, development and sales activities are conducted through subsidiaries. As of July 1, 2023, Meritage Homes Corporation was actively selling homes in three geographic regions: West (Arizona, California and Colorado), Central (Texas) and East (Florida, Georgia, North Carolina, South Carolina and Tennessee).

Meritage Homes Corporation is subject to the informational reporting requirements of the Exchange Act, and in accordance therewith is obligated to file reports, proxy statements and other information with the

SEC. Such filings set forth, among other things, certain data relative to the consolidated results of operations and financial position of Meritage Homes Corporation and its subsidiaries (e.g., see Meritage Homes Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, as filed with the SEC on February 15, 2023, Quarterly Report on Form 10-Q for the quarterly period ending September 30, 2023 as filed with the SEC on November 1, 2023) and Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2023, as filed with the SEC on July 28, 2023) as of the dates described therein. The SEC maintains an Internet website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including Meritage Homes Corporation. The address of such Internet website is www.sec.gov. All documents subsequently filed by Meritage Homes Corporation pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. Copies of Meritage Homes Corporation's annual report, quarterly reports and current reports, including any amendments, will be available from Meritage Homes Corporation's website at www.meritagehomes.com.

The foregoing internet websites are included for reference only and the information on these internet sites is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such internet websites. Neither Meritage nor Meritage Home Corporation is 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 internet sites in evaluating whether to buy, hold or sell the Bonds.

Development Plan

The Community Facilities District consists of approximately 15.4 gross acres within Tract No. 37715 which are planned to be developed by Meritage into a total of 139 single-family detached residential units in a development known as "Tierra Del Sol."

As of September 22, 2023, the Date of Value of the Appraisal, the Community Facilities District included 61 completed production homes which had closed escrow to individual homeowners. Of the remaining 78 lots owned by Meritage as of such date, there were 20 completed homes (2 of which were model homes), 8 homes under construction and 50 vacant lots. As of September 22, 2023, 24 of the parcels owned by Meritage were in escrow. As of November 1, 2023, 78 completed homes had been conveyed to individual homeowners. Of the remaining 61 lots owned by Meritage as of November 1, 2023, 2 were completed model homes, 19 were residential units under construction (11 of which were in escrow) and 40 were vacant lots. Homes under contract may not result in closed escrows as sales contracts are subject to cancellation during escrow. As of November 1, 2023, the Developer had obtained all but one of the building permits for the 139 single-family detached residential units expected to be constructed within the Community Facilities District. The final building permit cannot be issued until the model home complex is shut down. The Developer anticipates obtaining the final building permit in the second quarter of 2024.

The first sales of completed homes in Tierra Del Sol closed in October 2022. Meritage currently expects that the close of escrow of the sale of the final home within the Community Facilities District will occur in the third quarter of 2024.

All of the backbone infrastructure required to serve the Tierra Del Sol development has been completed.

Tierra Del Sol is planned to include three floor plans each with three elevations ranging in size from approximately 1,677 square feet to approximately 2,300 square feet. As of November 1, 2023, base sales prices within Tierra Del Sol ranged from approximately \$542,295 to approximately \$614,295. Base sales prices are subject to change and exclude any lot premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered. As of November 1, 2023, the Developer was offering prospective buyers incentives such as interest rate buy downs and closing costs reductions.

The following table provides the number of proposed units within each floor plan, the status of development and base sales prices of as of November 1, 2023.

TABLE 7
COMMUNITY FACILITIES DISTRICT NO. 2019-86 (TIERRA DEL SOL)
OF EASTERN MUNICIPAL WATER DISTRICT
DEVELOPMENT STATUS
(AS OF NOVEMBER 1, 2023)

<i>Floor Plan</i>	<i>Total Units Planned</i>	<i>Estimated Home Square Footage</i>	<i>Closed to Individual Homeowners</i>	<i>Developer Owned Completed Homes/Models</i>	<i>Homes Under Construction</i>	<i>Vacant Lots</i>	<i>Homes in Escrow⁽¹⁾</i>	<i>Base Home Prices⁽²⁾</i>
Residence 1	54	1,677	31	1	7	15	4	\$542,295
Residence 2	42	1,861	24	0	7	11	3	571,295
Residence 3	<u>43</u>	2,300	<u>23</u>	<u>1</u>	<u>5</u>	<u>14</u>	<u>4</u>	614,295
Total	139		78	2	19	40	11	

⁽¹⁾ Homes in escrow may not result in closed escrows as sales contracts are subject to cancellation.

⁽²⁾ Base sales prices are subject to change and exclude any lot premiums, options, upgrades, incentives and any selling concessions or price reductions currently being offered. As of November 1, 2023, the Developer was offering prospective buyers incentives such as interest rate buy downs and closing costs reductions.

Source: The Developer.

No assurance can be given that home construction and sales will be carried out on the schedule and according to the plans described herein, or that the home construction and sale plans or base prices set forth above will not change after the date of this Official Statement. Additionally, homes under contract to be sold may not result in closed escrows as sales contracts are subject to cancellation. See “SPECIAL RISK FACTORS — Failure to Develop Properties.”

Required Infrastructure. All of the necessary infrastructure of streets and utilities for the construction of the 139 single-family detached residential units within Tierra Del Sol has been completed.

Entitlement Status. All discretionary entitlements required to complete the development and sales of homes in the Community Facilities District have been received.

Conditions of Approval. All conditions of approval required for the issuance of building permits within the project have been satisfied, and none of the remaining infrastructure improvements are required to be completed as a condition of receiving building or occupancy permits.

Except as described in this Official Statement and except for those consents, permits, authorizations, certifications and approvals of governmental entities required in the ordinary course of development, Meritage has no actual knowledge of any impediment to construction or obtaining land use entitlements which could be reasonably expected to have a material adverse effect on its ability to complete the planned development of its property within the Community Facilities District as described in the Official Statement.

Financing Plan

Meritage spent \$6,000,000 in acquiring its land in the District. As of November 1, 2023, Meritage had spent approximately \$29.3 million in site development costs, permits and impact fees, home construction costs, and other development, marketing and sales costs (exclusive of internal financing repayment, corporate overhead and other carry costs) related to its development within the Community Facilities District. Meritage expects to spend approximately \$9.7 million in additional site development costs, permit and impact fees, home construction costs, and other development, marketing and sales costs (exclusive of corporate overhead and other

carry costs) between November 1, 2023 and full build-out of the homes proposed to be constructed in the Community Facilities District in the third quarter of 2024.

To date, Meritage has financed its land acquisition, site development and home construction costs related to its property within the Community Facilities District through internally generated funds. Meritage expects to use internal funding (which may include home sales revenues from its project within the Community Facilities District) to complete its development activities within the Community Facilities District. However, home sales revenues from Meritage's activities in the Community Facilities District are not segregated and set aside for completing the homes in the Community Facilities District. Notwithstanding the foregoing, Meritage believes that it will have sufficient funds to complete its construction and sale of homes in the Community Facilities District.

Except as described in this Official Statement and except for those consents, permits, authorizations, certifications and approvals of governmental entities required in the ordinary course of development, Meritage has no actual knowledge of any impediment to construction or obtaining land use entitlements which could be reasonably expected to have a material adverse effect on its ability to complete the planned development of its property within the Community Facilities District as described in the Official Statement. *Although the information in this Official Statement reflects the current development expectations of Meritage, no assurance can be given that home construction and sales will be carried out on the schedule and according to the plans described herein, or that the home construction and sale plans or base prices set forth herein will not change after the date of this Official Statement. Meritage reserves the right to change its development at any time without notice. Additionally, homes under contract to be sold may not result in closed escrows as sales contracts are subject to cancellation. See "SPECIAL RISK FACTORS – Concentration of Ownership."*

SPECIAL RISK FACTORS

The Bonds have not been rated by a 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 Community Facilities District to pay Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the Community Facilities 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 Community Facilities District. See "— Reductions in 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 Community Facilities 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 individual property owners within the Community Facilities 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 Community

Facilities District's ability to pursue judicial proceedings with respect to delinquent parcels within the Community Facilities District.

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 Community Facilities 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 Community Facilities District has established a Reserve Account, in an amount equal to the Reserve Requirement, to pay debt service on the Bonds and any Parity Bonds to the extent other funds are not available. See "SECURITY FOR THE BONDS — Reserve Account." The Community Facilities 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 Special Taxes in amounts sufficient to do so and to the limitation that the Community Facilities 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 of Apportionment. As a result, if a significant number of Special Tax delinquencies occur within the Community Facilities District, the Community Facilities 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 and any Parity Bonds could occur.

The Act provides that, if any property within the Community Facilities 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 Community Facilities 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 Community Facilities 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 Community Facilities 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 Community Facilities District has covenanted 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 "SECURITY FOR THE BONDS — Covenant for Superior Court Foreclosure" for provisions which apply in the event of such foreclosure and which the Community Facilities 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 Water District on behalf of the Community Facilities District of the proceeds of sale. The Community Facilities District may adjust the future Special Tax levied on taxable parcels

in the Community Facilities District, subject to limitations described above under the caption “THE COMMUNITY FACILITIES 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 Community Facilities 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 Water District 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. The Act provides that the Water District may waive delinquency penalties and redemption penalties if it determines that (i) the waivers shall apply only to parcels delinquent at the time of the determination, (ii) the waivers shall only be available with respect to parcels for which all past due and currently due Special Taxes and all other costs are paid in full within a limited period of time specified in the determination, (iii) the waivers shall be available only with respect to parcels sold or otherwise transferred to new owners unrelated to the owner responsible for the delinquency, and (iv) the waivers are in the best interest of the Owners of the Bonds.

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 Community Facilities 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.)

Failure to Develop Properties

Development of property within the Community Facilities District may be subject to unexpected delays, disruptions and changes which may affect the willingness and ability of Meritage or any property owner to pay the Special Taxes when due. Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect planned land development. Development within the Community Facilities District is also subject to the availability of water. Finally, development of land is subject to economic considerations.

As of November 1, 2023, Meritage owned 2 completed model homes, 19 residential units under construction (11 of which were in escrow) and 40 vacant lots. No assurances can be made that Meritage will complete the development within the Community Facilities District as described in this Official Statement. For purposes of evaluating the investment quality of the Bonds, prospective purchasers should consider the possibility that such parcels within the Community Facilities District will remain undeveloped.

There can be no assurance that land development operations within the Community Facilities District will not be adversely affected by future deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, an increase in mortgage interest rates, the income tax treatment of real property ownership, or the national economy. A slowdown of the development process and the absorption rate could adversely affect land values and reduce the ability or desire of the property owners to pay the annual Special Taxes. In that event, there could be a default in the payment of principal of, and interest on, the Bonds when due.

The Community Facilities District has the ability to levy Special Taxes on property within the Community Facilities District classified as Approved Property under the Rate and Method of Apportionment, which do not currently have improvement value. Property without improvements is less valuable per unit of area than Developed Property, especially if there are no plans to develop such land or if there are severe restrictions on the development of such land. Such unimproved property also provides less security to the Owners of the Bonds should it be necessary for the Community Facilities District to foreclose on property within the Community Facilities District due to the nonpayment of the Special Taxes. A slowdown or stoppage in the continued development of the property within the Community Facilities District could reduce the willingness and ability of Meritage or any future merchant builders to make Special Tax payments and could greatly reduce the value of such property in the event it has to be foreclosed upon.

Concentration of Ownership

Based on property ownership as of November 1, 2023, Meritage is projected to be responsible for approximately 43.52% of the projected Fiscal Year 2024-25 Special Tax levy within the Community Facilities District. While the Community Facilities District includes 78 parcels of single-family detached residential units owned by individual homeowners as of November 1, 2023, the inability or refusal of Meritage to pay the Special Tax applicable to their property within the Community Facilities District when due could result in the depletion of the Reserve Account prior to replenishment thereof from sale or foreclosure proceedings, and/or insufficient money with which to pay the principal of and interest on the Bonds as the same became due. Additionally, pursuant to the Act, the Special Taxes levied in any fiscal year against any parcel of residential property in the Community Facilities District may not be increased as a consequence of delinquency or default by the owners of any other parcels within the Community Facilities 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 default. As a result, while the Maximum Special Taxes pursuant to the Rate and Method of Apportionment may be higher, Maximum Special Taxes on parcels of residential parcels cannot be greater than 110% of the projected actual Special Tax levy on such parcels.

Geologic, Topographic and Climatic Conditions

The market value of the property within the Community Facilities District can be adversely affected by a variety of factors which may affect public and private improvements. Such additional factors include, without limitation, geologic conditions (such as earthquakes), topographic conditions (such as earth movements) and climatic conditions (such as droughts, fire hazard and floods).

With respect to geologic conditions, building codes require that some of these factors be taken into account in the design of private improvements of the parcels, and the County has adopted the Uniform Building Code standards with regard to seismic standards. Design criteria are established upon the basis of a variety of considerations and may change, leaving previously designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria reflect a balance at the time of establishment between the present costs of protection and the future costs of lack of protection, based in part upon a present perception of the probability that the condition will occur and the seriousness of the condition should it occur. Consequently, neither the absence of nor the establishment of design criteria with respect to any particular condition means that the applicable governmental agency has evaluated the condition and has established design criteria in the situations in which such criteria are needed to preserve value, or has established such criteria at

levels that will preserve value. To the contrary, the Community Facilities District expects that one or more of such conditions may occur and may result in damage to improvements of varying seriousness, that the damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost, because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances, the actual value of the parcels may well depreciate or disappear, notwithstanding the establishment of design criteria for any such condition.

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 of the fires that occurred recently damaged or destroyed property in areas that were not previously considered to be at risk from such events. The Community Facilities District experiences high winds known as Santa Ana winds which frequently accompany and magnify the intensity of wildfires. There is a risk of homes within the Community Facilities District being destroyed by wildfires and no assurance can be given as to the severity or frequency of wildfires within the vicinity of the Community Facilities District. Additionally, property located adjacent to burn areas can be subject to mudslides and flooding, which can cause significant damage and destruction to property.

The Community Facilities District is located in a Very High/High Fire Hazard Area as designated by the California Department of Forestry and Fire Protection. As a result, the development within the Community Facilities District is required to be constructed with certain heightened fire mitigation measures, including but not limited to rolled sidewalk curbs that allow fire truck turning, shortened fire hydrant distancing and the use of the highest rated noncombustible, non-flammable building materials. The Developer has represented that all required fire mitigation measures have been or are being taken; however, there can be no assurance that the Community Facilities District will not experience significant damage due to future wildfires.

The Federal Emergency Management Agency has determined that the Community Facilities District is located in a Zone "X" flood area (an area of minimal flooding, outside the 500-year flood plain), and flood insurance will not be required.

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 Community Facilities District be affected by a hazardous substance, is to reduce the marketability and value by the costs of remedying the condition.

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

It is possible that property in the Community Facilities 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 Community Facilities District is required to commence enforcement proceedings under the circumstances described under the heading “SECURITY FOR THE BONDS — Covenant for Superior Court Foreclosure.” 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 agencies such as the Community Facilities District.

FDIC/Federal Government Interests in Parcels

The ability of the Community Facilities 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 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 Community Facilities 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 non-payment 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 Community Facilities 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 Community Facilities 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 Community Facilities District becoming owned by the federal government, federal government entities or federal government sponsored entities, see “— Insufficiency of Special Tax Revenues.”

The Community Facilities 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 Community Facilities District to pay the applicable Special Taxes could be affected by the existence of other taxes and assessments imposed upon taxable parcels. See “THE COMMUNITY FACILITIES DISTRICT — Direct and Overlapping Debt” herein. The Water District and other public agencies whose boundaries overlap those of the Community Facilities District could impose additional taxes or assessment liens on the property within the Community Facilities 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 Community Facilities 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 Community Facilities 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.

Reductions in Property Values

The value of the land within the Community Facilities District is an important factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Special Taxes, the Community Facilities District’s only remedy is to commence foreclosure proceedings 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, wildfires or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Taxes. See “THE COMMUNITY FACILITIES DISTRICT — Value-to-Lien Ratios” for a discussion of the assessed value within the Community Facilities District.

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 Community Facilities 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.

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 Water District, or other local agencies to increase revenues or to increase appropriations or on the ability of the landowners to complete the development of the vacant land within the Community Facilities District.

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 Board, acting as the legislative body of the Community Facilities District, to reduce the Special Taxes in the Community Facilities District 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 Community Facilities District has covenanted that it will not initiate proceedings under the Act to reduce the maximum Special Tax rates for the Community Facilities District, unless, in connection therewith, (i) the Community Facilities District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the Community Facilities District as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property (as defined in the Rate and Method of Apportionment then in effect) in the Community Facilities District in each Bond Year for any Bonds and Parity Bonds Outstanding will equal at least the Administrative Expense Requirement and 110% of gross debt service in each Bond Year on all Bonds and Parity Bonds of the Community Facilities District to remain Outstanding after the reduction is approved, (ii) the Community Facilities District finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds or Parity Bonds, and (iii) the Community Facilities District is not delinquent

in the payment of the principal of or interest on the Bonds or any Parity Bonds. For purposes of estimating Administrative Expenses for the foregoing calculation, the Independent Financial Consultants shall compute the Administrative Expenses of the Community Facilities District for the current Fiscal Year and escalate that amount by 2% in each subsequent Fiscal Year. The Community Facilities District also has covenanted that, in the event an initiative is adopted which purports to reduce or otherwise alter the Rate and Method of Apportionment, 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.

With respect to the approval of the Special Taxes, on August 1, 2014, the California Court of Appeal, Fourth Appellate District, Division One, issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997) (the “San Diego Decision”). The case involved a Convention Center Facilities District (the “CCFD”) established by the City of San Diego (the “City”). 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 the entire City. However, the special tax to be levied within the CCFD was to be levied only on hotel properties located within the CCFD.

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

The facts of the San Diego Decision show that there were hundreds of thousands of registered voters within the CCFD (viz., all of the registered voters in the City). The elections held in the Community Facilities District had no registered voters at the time of the elections to authorize the Special Tax. In the San Diego Decision, the Court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the Court’s holding does not apply to the Special Tax elections in the Community Facilities 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. Voters in the Community Facilities District approved the Special Tax and the issuance of bonds on March 3, 2021. Based on Sections 53341 and 53359 of the Act and analysis of existing laws, regulations, rulings and court decisions, Bond Counsel is of the opinion that no successful challenge to the Special Tax being levied in accordance with the Rate and Method of Apportionment may now be brought.

The interpretation and application of the Initiative will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts.

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 Community Facilities District. In addition, it is possible that future changes in applicable federal tax laws could cause interest on the Bonds to be included in gross income for federal income taxation or could otherwise reduce the equivalent taxable yield of such interest and thereby reduce the value of the Bonds.

No Ratings – Limited Secondary Market

The Community Facilities 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 Community Facilities 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 Assessment Bond Proceeds

Property owners within the Community Facilities District, including Meritage and any individual property owner, are permitted to prepay their Special Taxes at any time. Such prepayments could also be made from the proceeds of bonds issued by or on behalf of an overlapping special assessment district or community facilities district. Such prepayments will result in 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, if any, 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 Prepayments.*"

Cyber Security

The Water District and the Community Facilities District, like many other public and private entities, rely on computer and other digital networks and systems to conduct their operations. As a recipient and provider of personal, private or other sensitive electronic information, the Water District and the Community Facilities District are 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 Water District and the Community Facilities District 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 Water District or the Community Facilities District, or the administration of the Bonds. The Community Facilities District 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 Fiscal Agent. No assurance can be given that

the Water District, the Community Facilities District and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

Impact of Economic Conditions on the Development in the Community Facilities 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 Community Facilities District can complete the remaining infrastructure and future homes, and demand by, and the ability of individuals to purchase homes within the Community Facilities 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 projects in the Community Facilities 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 Community Facilities 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 Community Facilities District as described herein.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming 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 Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the 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 Community Facilities District and others and is subject to the condition that the Community Facilities District complies 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 Community Facilities District has covenanted to comply with all such requirements.

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

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of 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 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 hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The authorizing resolutions 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 has rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes provided that the Community Facilities District continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest 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

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

ABSENCE OF LITIGATION

In connection with the issuance of the Bonds, the Water District's General Counsel will deliver an opinion to the effect that, to his 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 Community Facilities District, which would adversely impact the Community Facilities 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 transaction described herein.

ABSENCE OF RATINGS

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

UNDERWRITING

The Bonds are being purchased by Piper Sandler & Co. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of \$5,534,005.05 (being the \$5,615,000.00 principal amount, less net original issue discount of \$10,807.45 and less an Underwriter's discount of \$70,187.50). 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 with respect to the Bonds is contingent upon the successful issuance of the Bonds.

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

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc. has acted as Municipal Advisor (the "Municipal Advisor") to the Community Facilities District in conjunction with the issuance of the Bonds. The Municipal Advisor has assisted in matters related to the planning, structuring, execution, and delivery of the Bonds. The Municipal Advisor will receive compensation contingent upon the sale and delivery of the Bonds. The Municipal Advisor has not audited, authenticated, or otherwise independently verified the information set forth in this Official Statement, or any other related information available, with respect to accuracy and completeness of disclosure of such information. Because of this limited participation, the Municipal Advisor makes no guaranty, warranty, or other representation with respect to the accuracy or completeness of this Official Statement, or any other matter related to this Official Statement.

CONTINUING DISCLOSURE

Community Facilities District

The Community Facilities District will execute a continuing disclosure certificate (the "Continuing Disclosure Certificate") for the benefit of the Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the Community Facilities District (the "Annual Report") and to provide notices of the occurrence of certain enumerated events (the "Listed Events"). The Annual Report will be filed by the Community Facilities District as the initial Dissemination Agent (the "Dissemination Agent")

with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board (“EMMA”). Notices of Listed Events will be filed by the Dissemination Agent with EMMA. The specific nature of the information to be included in the Annual Reports and the notices of Listed Events is set forth in Appendix F — “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” The Continuing Disclosure Certificate will be executed and delivered by the Community Facilities District to comply with SEC Rule 15c2-12(b)(5) (the “Rule”). The Annual Reports are to be filed by the Community Facilities District no later than March 1 of each year, commencing March 1, 2024.

The Community Facilities District (not the Water District) is obligated to comply with each Continuing Disclosure Certificate. However, the Board of Directors of the Water District is the legislative body of the Community Facilities District and the Water District’s other community facilities districts. In addition, the Community Facilities District and the Water District’s other community facilities districts have no employees or staff independent of the Water District. Although the Water District is not the “obligated person” for purposes of the Rule with respect to the approximately 36 outstanding debt issuances of community facilities districts created by the Water District (the “CFD Bonds”), the Water District staff is responsible for preparing the annual reports for the CFD Bonds. During the last five years, the Water District and certain of its related entities failed to comply in certain respects with their continuing disclosure obligations related to outstanding bonded indebtedness. With respect to its Series 2021 Refunding Revenue Bonds (the “2021 Bonds”) the Water District failed to timely file the annual report, which consisted of the official statement, as required by the continuing disclosure undertaking with respect to the 2021 Bonds. The Water District failed to timely file certain operating data with respect to certain outstanding CUSIPs of its Series 2016B Water and Wastewater Revenue Bonds. Additionally, the Water District failed to timely file a significant event notice with respect to a state revolving fund loan it entered into in 2017 with the State Water Resources Control Board. The Western Riverside Water and Wastewater Financing Authority (the “Authority”), for which the Water District staff is responsible for filing annual reports, did not timely file a significant event notice with respect to a rating upgrade with respect to the Authority’s Local Agency Revenue Refunding Bonds, 2016 Series A, which upgrade occurred as of October 30, 2018. None of the above failures to file related to any of the Water District’s CFD Bonds. The Water District has filed corrective filings with respect to each of the above as of the date of this Official Statement.

On April 30, 2014, the Water District’s Board of Directors adopted continuing disclosure policies and procedures, and such policies and procedures were updated and incorporated into the Water District’s Comprehensive Debt Management Policy on January 18, 2017. The Water District’s Comprehensive Debt Management Policy is reviewed annually and was most recently amended on April 7, 2021. In addition, Water District staff have undergone training to ensure compliance with continuing disclosure undertakings in the future.

It should be noted that the Community Facilities District is required to file certain financial statements with the Annual Reports. The inclusion of this information does not mean that the Bonds are secured by any resources or property other than as described hereinabove. See “LIMITATION OF LIABILITY,” “SECURITY FOR THE BONDS” and “SPECIAL RISK FACTORS.” It should also be noted that the list of enumerated events which the Community Facilities District has agreed to report includes three items which have absolutely no application whatsoever to the Bonds. Thus, any implication from the inclusion of these items in the list to the contrary notwithstanding, there are no credit enhancements applicable to the Bonds, there are no credit or liquidity providers with respect to the Bonds, and the Bonds have not been assigned a rating.

Meritage Homes

The Underwriter does not consider Meritage 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 Community Facilities District, Meritage will execute a continuing disclosure certificate (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 Meritage will contain updates regarding the development within the District as outlined in Section 4 of the Developer Continuing Disclosure Certificate attached hereto as

APPENDIX G. In addition to its semiannual reports, Meritage will agree to provide notices of certain events set forth in the Developer Continuing Disclosure Certificate.

Meritage'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 Meritage has conveyed 111 or more of its 139 residential units in the Community Facilities District to individual homeowners.

Meritage notes the following with respect to its prior continuing disclosure obligations entered into in connection with the following issuances: (1) with respect to the \$10,905,000 City of Roseville Creekview Community Facilities District No. 1 (Public Facilities) Improvement Area No. 1 Special Tax Bonds Series 2020, Meritage was late in filing the first periodic report due on November 1, 2021; Meritage filed the curative report on April 28, 2022; (2) with respect to the \$14,735,000 Improvement Area No. 1 of the City of Dixon Community Facilities District No. 2019-1 (Homestead) Special Tax Bonds, Series 2020, Meritage was late in filing its first periodic report due June 15, 2021. The oversight was discovered in August 2021, and Meritage promptly filed a curative report on August 23, 2021 or approximately two months after the due date.

CERTAIN LEGAL MATTERS

Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, will render an opinion with respect to the validity and enforceability of the Indenture and as to the validity of the Bonds. A copy of the form of such approving opinion is attached hereto as Appendix B. Copies of such approving opinion will accompany each Bond. Bond Counsel has not undertaken any responsibility for the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the Bonds and expresses no opinion relating thereto. Certain legal matters will be passed upon for the Water District by the Water District's General Counsel and for the Underwriter by its counsel, Kutak Rock LLP, Irvine, California.

In addition to serving as Bond Counsel in connection with the issuance and sale of the Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, has served as Disclosure Counsel. Although it is serving as Bond Counsel and Disclosure Counsel to the Water District in connection with the issuance and sale of the Bonds, Bond Counsel represents the Underwriter in connection with other financings and matters unrelated to the Bonds.

Compensation for Bond Counsel and Disclosure Counsel services is contingent upon the successful issuance and sale of the Bonds.

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 Water District.

The appendices are an integral part of this Official Statement and must be read together with all other parts of this Official Statement.

The distribution of this Official Statement has been authorized by the Community Facilities District.

/s/ Joe Mouawad, P.E.
General Manager
Eastern Municipal Water District

APPENDIX A

SUMMARY OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture. This summary is not intended to be definitive and is qualified in its entirety by reference to the Indenture for the complete terms thereof. Copies of the Indenture are available upon request from the Community Facilities District.

DEFINITIONS

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

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

“Administrative Expense Fund” means the fund by that name established pursuant to the Indenture.

“Administrative Expense Requirement” means \$30,000 for the initial Bond Year, provided that at its option, the District may establish the Administrative Expense Requirement for any Bond Year subsequent to the initial Bond Year at any amount larger than \$30,000 that is not in excess of the lesser of (a) 102% of the Administrative Expense Requirement applicable in the immediately preceding Bond Year or (b) the remainder of (i) the sum of the Maximum Special Tax applicable to each Parcel of Taxable Property in the District in the Fiscal Year that ends in such Bond Year minus (ii) 110% of Annual Debt Service for such Bond Year.

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

“Annual Debt Service” means, for any Bond Year, the sum of (i) the interest payable on all Outstanding Bonds and Parity Bonds in such Bond Year, assuming that all Outstanding Bonds and Parity Bonds are retired as scheduled (including by reason of Sinking Fund Payment redemption in such Bond Year), and (ii) the principal amount of all Outstanding Bonds and Parity Bonds due in such Bond Year (including any Sinking Fund Payment redemptions due in such Bond Year).

“Assigned Special Taxes” has the meaning ascribed to it in the Rate and Method of Apportionment.

“Authorized Investments” means any of the following investments, if and to the extent the same are at the time legal for investment of the District’s funds (the Fiscal Agent is entitled to rely upon investment direction from the District as a certification that such investment is an Authorized Investment):

1. (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“United States Treasury Obligations”), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in

interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

2. Federal Housing Administration debentures.

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

- Federal Home Loan Mortgage Corporation (FHLMC)
Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
Senior Debt obligations
- Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
Consolidated system-wide bonds and notes
- Federal Home Loan Banks (FHL Banks)
Consolidated debt obligations
- Federal National Mortgage Association (FNMA)
Senior debt obligations
Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
- Financing Corporation (FICO)
Debt obligations
- Resolution Funding Corporation (REFCORP)
Debt obligations

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

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

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

7. Money market funds rated "AAM" or "AAM-G" by Standard & Poor's, or better (including those of the Fiscal Agent or its affiliates).

8. "State Obligations," which means:

(a) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by Standard & Poor's, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(b) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated "A-1+" by Standard & Poor's and "Prime-1" by Moody's.

(c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated “AA” or better by Standard & Poor’s and “Aa” or better by Moody’s.

9. Pre-refunded municipal obligations rated “AAA” by Standard & Poor’s and “Aaa” by Moody’s meeting the following requirements:

(a) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the paying agent for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(c) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”);

(d) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or paying agent in trust for owners of the municipal obligations;

(e) no substitution of a United States Treasury Obligation is permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(f) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the paying agent or escrow agent.

10. Repurchase agreements:

With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “A” by Standard & Poor’s and Moody’s; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “A” by Standard & Poor’s and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated “A” or better by Standard & Poor’s and Moody’s, provided that:

(a) The market value of the collateral is maintained at levels equal to 104% of the amount of cash transferred by the Fiscal Agent or the District to the provider of the repurchase agreement plus accrued interest with the collateral being valued weekly and marked-to-market at one current market price plus accrued interest;

(b) The Fiscal Agent or a third party acting solely as agent therefor or for the District (the “Holder of the Collateral”) has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books);

(c) The repurchase agreement states and an opinion of counsel will be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest

in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(d) The repurchase agreement provides that if during its term the provider's rating by either Moody's or Standard & Poor's is withdrawn or suspended or falls below "A-" by Standard & Poor's or "A3" by Moody's, as appropriate, the provider must, at the direction of the Fiscal Agent or the District, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Fiscal Agent or the District.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (a) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by Standard & Poor's and Moody's, respectively.

11. Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by Standard & Poor's and "Aa" by Moody's; provided that, by the terms of the investment agreement:

(a) interest payments are to be made to the Fiscal Agent or the District at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the Improvement Fund, construction draws) on the Bonds and Parity Bonds;

(b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Fiscal Agent or the District agrees to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(c) the investment agreement states that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof, or, in the case of a bank, that the obligation of the bank to make payments under the agreement ranks pari passu with the obligations of the bank to its other depositors and its other unsecured and unsubordinated creditors;

(d) the Fiscal Agent or the District receives the opinion of domestic counsel (which opinion will be addressed to the Fiscal Agent or the District) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Fiscal Agent or the District;

(e) the investment agreement provides that if during its term:

(i) the provider's rating by either Standard & Poor's or Moody's falls below "AA-" or "Aa3", respectively, the provider will, at its option, within 10 days of receipt of publication of such downgrade, either (y) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the District, the Fiscal Agent or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to Standard & Poor's and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (z) repay the principal of and accrued but unpaid interest on the investment; and

(ii) the provider's rating by either Standard & Poor's or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Fiscal Agent or the District, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Fiscal Agent or District; and

(f) the investment agreement states and an opinion of counsel will be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

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

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

(ii) the provider becomes insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations will automatically be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the Fiscal Agent or the District.

12. The State of California Local Agency Investment Fund.

"Authorized Representative of the Water District" and/or "Community Facilities District" means the General Manager of the Water District, or his or her designee, any Deputy General Manager of the Water District, or his or her designee, the Chief Financial Officer of the Water District, or his or her designee, or any other person or persons designated by the Board of Directors of the Water District and authorized to act on behalf of the Water District by a written certificate signed on behalf of the Water District by the President of the Board of Directors of the Water District and containing the specimen signature of each such person.

"Average Annual Debt Service" means the average of the Annual Debt Service for all Bond Years, including the Bond Year in which the calculation is made.

"Board of Directors" means the Board of Directors of the Water District acting as the legislative body of the District.

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

"Bond Register" means the books which the Fiscal Agent will keep or cause to be kept on which the registration and transfer of the Bonds and any Parity Bonds will be recorded.

"Bondowner" or "Owner" means, with respect to any Bond or Parity Bond, the Person or Persons in whose name or names such Bond or Parity Bond is registered, as shown on the Bond Register.

"Bonds" means the Community Facilities District No. 2019-86 (Tierra Del Sol) of Eastern Municipal Water District 2023 Special Tax Bonds, issued pursuant to the Indenture.

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

“Business Day” means a day which is not a Saturday or Sunday or a day of the year on which banks in New York, New York, Los Angeles, California, or the city where the corporate trust office of the Fiscal Agent is located, are not required or authorized to remain closed.

“Capacity Improvements Account” means the account by that name established in the Improvement Fund pursuant to the Indenture.

“Certificate of an Authorized Representative” means a written certificate or warrant request executed by an Authorized Representative of the Water District or Community Facilities District, a form of which is attached to the Indenture.

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

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate executed and delivered by the District with respect to the Bonds.

“Costs of Issuance” means the costs and expenses incurred in connection with the formation of the District and the issuance and sale of the Bonds or any Parity Bonds, including the acceptance and initial annual fees and expenses of the Fiscal Agent, legal fees and expenses, costs of printing the Bonds or any Parity Bonds and the preliminary and final official statements for the Bonds or any Parity Bonds, fees of any appraiser, the Special Tax Administrator and financial consultants and all other related fees and expenses.

“Costs of Issuance Account” means the account by that name established in the Improvement Fund pursuant to the Indenture.

“County” means the County of Riverside, California.

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

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

“Developed Property” has the meaning ascribed to it in the Rate and Method of Apportionment.

“Developer” means Meritage of California, Inc., a California corporation, and any successors in interest thereto with respect to its activities in the District, except individual property owners.

“District” means Community Facilities District No. 2019-86 (Tierra Del Sol) of Eastern Municipal Water District established pursuant to the Act and the Resolution of Formation.

“EMWD Improvements Account” means the account by that name established in the Improvement Fund pursuant to the Indenture.

“Federal Securities” means, subject to applicable law, United States Treasury notes, bonds, bills or certificates of indebtedness, including United States Treasury Obligations, State and Local Government Series

("SLGS") or other direct obligations issued by the United States Treasury for which the faith and credit of the United States are pledged for the payment of principal and interest; and obligations issued by banks for cooperatives, federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board, the Tennessee Valley Authority, or other federal agencies or United States Government-sponsored enterprises.

"Fiscal Agent" means U.S. Bank Trust Company, National Association, a national banking association duly organized and existing under the laws of the United States of America, at its principal corporate trust office in Los Angeles, California, and its successors or assigns, or any other bank or trust company which may at any time be substituted in its place as described under the captions "FISCAL AGENT—Removal of Fiscal Agent" and "FISCAL AGENT—Resignation of Fiscal Agent," and any successor thereto.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next following June 30.

"Funding Agreement" means the agreement entitled "Community Facilities District No. 2019-86 (Tierra Del Sol) of Eastern Municipal Water District Funding, Construction and Acquisition Agreement," by and between the Water District and the Developer, as it may be amended from time to time.

"Gross Special Taxes" means the amount of all Special Taxes received by the District, together with the proceeds collected from the sale of property in the District pursuant to the foreclosure provisions of the Indenture for the delinquency of such Special Taxes after payment of administrative costs and attorney's fees payable from such proceeds to the extent not previously paid from the Administrative Expense Fund.

"Improvement Fund" means the fund by that name established pursuant to the Indenture.

"Indenture" means the Trust Indenture dated as of December 1, 2023, by and between the District and the Fiscal Agent.

"Independent Financial Consultant" means a financial consultant or special tax consultant or firm of such consultants generally recognized to be well qualified in the financial consulting or special tax consulting field, appointed and paid by the District, who, or each of whom:

- (1) is in fact independent and not under the domination of the District or Water District;
- (2) does not have any substantial interest, direct or indirect, in the District or Water District; and
- (3) is not connected with the District as a member, officer or employee of the District or Water District, but who may be regularly retained to make annual or other reports to the District or Water District.

"Interest Account" means the account by that name in the Special Tax Fund.

"Interest Payment Date" means each March 1 and September 1, commencing March 1, 2024.

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

"Maximum Annual Debt Service" means, at any point in time, with respect to the Bonds and Parity Bonds then Outstanding, the greatest amount of Annual Debt Service on the Bonds and Parity Bonds in the then current or any succeeding Bond Year prior to the final maturity of the Bonds and Parity Bonds.

"Maximum Special Tax" has the meaning ascribed to it in the Rate and Method of Apportionment.

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

“Net Special Taxes” means Gross Special Taxes minus the amount (not in excess of the then applicable Administrative Expense Requirement) deposited in the Administrative Expense Fund pursuant to the Indenture.

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time as described under the caption “GENERAL AUTHORIZATION AND BOND TERMS—Initial Depository and Nominee.”

“Ordinance” means Ordinance No. 2021-001, adopted by the legislative body of the District on March 3, 2021, providing for the levying of the Special Tax.

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

(1) Bonds theretofore cancelled or surrendered for cancellation as described under the caption “MISCELLANEOUS—Cancellation of Bonds and Parity Bonds;”

(2) Bonds and Parity Bonds for payment or redemption of which moneys have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds or Parity Bonds), provided that, if such Bonds or Parity Bonds are to be redeemed prior to the maturity thereof, notice of such redemption will have been given as provided in the Indenture or any applicable Supplemental Indenture for Parity Bonds; and

(3) Bonds and Parity Bonds which have been surrendered to the Fiscal Agent for transfer or exchange as described under the caption “GENERAL AUTHORIZATION AND BOND TERMS—Registration of Exchange or Transfer” or for which a replacement has been issued as described under the caption “GENERAL AUTHORIZATION AND BOND TERMS—Mutilated, List, Destroyed or Stolen Bonds or Parity Bonds.”

“Parcel” has the meaning ascribed to it in the Rate and Method of Apportionment.

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

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

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

“Prepayments” means any amounts paid by the District to the Fiscal Agent 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 of Apportionment.

“Principal Account” means the account by that name in the Special Tax Fund.

“Principal Office of the Fiscal Agent” means the corporate trust office of the Fiscal Agent located in Los Angeles, California, provided that for purposes of redemption, payment, exchange, transfer or surrender of Bonds such term means the corporate trust office of the Fiscal Agent located in St. Paul, Minnesota, or such other office or offices as the Fiscal Agent may designate from time to time, or the office of any successor Fiscal Agent where it principally conducts its corporate trust and agency business.

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

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

“Rate and Method of Apportionment” means that certain Rate and Method of Apportionment of Special Tax for the District approved on March 3, 2021 pursuant to the Resolution of Formation.

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

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

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

“Redemption Account” means the account by that name in the Special Tax Fund.

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

“Representation Letter” means the Blanket Letter of Representations from the District to the Depository as described under the caption “GENERAL AUTHORIZATION AND BOND TERMS—Representation Letter.”

“Reserve Account” means the account by that name in the Special Tax Fund.

“Reserve Requirement” means the amount as of any date of calculation that is equal to the least 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 any Parity Bonds, or (iv) \$371,575.00, the initial Reserve Requirement of the Bonds.

“Resolution of Formation” means Resolution No. 2021-046 adopted by the Board of Directors of the Water District on March 3, 2021, pursuant to which the Water District formed the District and approved the Rate and Method of Apportionment.

“Resolution of Issuance” means Resolution No. 2023-147 of the District, approving among other things the Indenture and any Supplemental Indenture approved pursuant to the Indenture as described under the caption “AMENDMENTS TO INDENTURE.”

“School District” means Temecula Valley Unified School District, a California school district.

“School District Facilities Account” means the account by that name established in the Improvement Fund pursuant to the Indenture.

“School District JCFA” means the Joint Community Facilities Agreement relating to the District by and among the Water District, the School District and the Developer dated as of March 3, 2021.

“Sinking Fund Payment” means the annual payment to be deposited in the Principal Account to redeem a portion of the Term Bonds in accordance with the schedule set forth in the Indenture and any Supplemental Indenture.

“Special Tax Administrator” means Webb Municipal Finance, LLC in its capacity as the consultant engaged by the District to administer the calculation and collection of the Special Taxes, or any successor or replacement entity acting in such capacity.

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

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

“Special Taxes” means the taxes authorized to be levied by the District on property within the District in accordance with the Ordinance, the Resolution of Formation, the Act and the voter approval obtained at the March 3, 2021 election in the District.

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

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

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

“Taxable Property” has the meaning ascribed to it in the Rate and Method of Apportionment.

“Term Bonds” means the 2037 Term Bonds, the 2043 Term Bonds, the 2048 Term Bonds, the 2054 Term Bonds and any term maturities of an issue of Parity Bonds as specified in a Supplemental Indenture.

“2037 Term Bonds” means the Bonds maturing on September 1, 2037.

“2043 Term Bonds” means the Bonds maturing on September 1, 2043.

“2048 Term Bonds” means the Bonds maturing on September 1, 2048.

“2054 Term Bonds” means the Bonds maturing on September 1, 2054.

“Water District” means Eastern Municipal Water District.

GENERAL AUTHORIZATION AND BOND TERMS

Type and Nature of Bonds. Neither the faith and credit nor the taxing power of the Water District, the State of California or any political subdivision thereof other than the District is pledged to the payment of the Bonds or any Parity Bonds. Except for the Net Special Taxes, no other taxes are pledged to the payment of the Bonds or any Parity Bonds. The Bonds and any Parity Bonds are not general or special obligations of the Water District nor general obligations of the District, but are limited obligations of the District payable solely from certain amounts deposited by the District in the Special Tax Fund, as more fully described in the Indenture. The

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

Notwithstanding anything to the contrary contained in the Indenture, the District is not required to advance any money derived from any source of income other than the Net Special Taxes for the payment of the interest on or the principal of or premium on the Bonds or any Parity Bonds or for the performance of any covenants contained in the Indenture. The District may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose.

Equality of Bonds and Parity Bonds and Pledge of Net Special Taxes. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, in order to secure the payment of the principal of and interest on the Bonds and any Parity Bonds in accordance with their terms, the provisions of the Indenture and the Act, the District has pledged to the Owners, and has granted thereto a lien on and a security interest in, all of the Net Special Taxes and any other amounts held in the Special Tax Fund. Said pledge constitutes a first lien on and security interest in such assets, which will immediately attach to such assets and be effective, binding and enforceable against the District, its successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, the Indenture, irrespective of whether those parties have notice of the pledge of, lien on and security interest in such assets and without the need for any physical delivery, recordation, filing or further act. Pursuant to the Act and the Indenture, the Bonds and any Parity Bonds will be equally payable from the Net Special Taxes and other amounts in the Special Tax Fund, without priority for number, date of the Bonds or any Parity Bonds, date of sale, date of execution, or date of delivery; and the payment of the interest on and principal of the Bonds and any Parity Bonds and any premiums upon the redemption thereof, will be made exclusively from the Net Special Taxes and other amounts in the Special Tax Fund, which are set aside for the payment of the Bonds and any Parity Bonds. Amounts in the Special Tax Fund will constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the Bonds and any Parity Bonds and so long as any of the Bonds and any Parity Bonds or interest thereon remain Outstanding will not be used for any other purpose, except as permitted by the Indenture or any Supplemental Indenture. Notwithstanding any provision contained in the Indenture to the contrary, Net Special Taxes deposited in the Rebate Fund will no longer be considered to be pledged to the Bonds or any Parity Bonds; and none of the Rebate Fund, the Improvement Fund, the Administrative Expense Fund or the Special Tax Holding Fund will be construed as a trust fund held for the benefit of the Owners.

Nothing in the Indenture or any Supplemental Indenture will preclude, subject to the limitations contained under the Indenture, the redemption prior to maturity of any Bonds or Parity Bonds subject to call and redemption and payment of said Bonds or Parity Bonds from proceeds of refunding bonds issued under the Act as the same exists or as later amended, or under any other law of the State of California.

Place and Form of Payment. The Bonds and Parity Bonds are payable both as to principal and interest, and as to any premiums upon the redemption thereof, in lawful money of the United States of America. The principal of the Bonds and Parity Bonds and any premiums due upon the redemption thereof will be payable upon presentation and surrender thereof at the Principal Office of the Fiscal Agent. Interest on any Bond or

Parity Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Bond or Parity Bond, unless (i) such date of authentication is an Interest Payment Date in which event interest will be payable from such date of authentication, (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication, or (iii) the date of authentication is prior to the close of business on the first Record Date occurring after the issuance of such Bond or Parity Bond, in which event interest will be payable from the dated date of such Bond or Parity Bond, provided, however, that if at the time of authentication of such Bond or Parity Bond, interest is in default, interest on that Bond or Parity Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or, if no interest has been paid or made available for payment on that Bond or Parity Bond, interest on that Bond or Parity Bond will be payable from its dated date. Interest on any Bond or Parity Bond will be paid to the Person whose name appears in the Bond Register as the Owner of such Bond or Parity Bond as of the close of business on the Record Date. Such interest will be paid by check of the Fiscal Agent mailed by first class mail, postage prepaid, to such Bondowner at his or her address as it appears on the Bond Register. In addition, upon a request in writing received by the Fiscal Agent on or before the applicable Record Date from an Owner of \$1,000,000 or more in principal amount of the Bonds or of any issue of Parity Bonds, payment will be made on the Interest Payment Date by wire transfer in immediately available funds to an account designated by such Owner.

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

Only the Bonds bearing thereon such certificate of authentication in the form attached to the Indenture will be entitled to any right or benefit under the Indenture, and no Bond will be valid or obligatory for any purpose until such certificate of authentication will have been duly executed by the Fiscal Agent.

Bond Register. The Fiscal Agent will keep or cause to be kept, at the Principal Office of the Fiscal Agent, sufficient books for the registration and transfer of the Bonds and any Parity Bonds which will upon reasonable prior notice be open to inspection by the District during all regular business hours, and, subject to the limitations described under the caption “—Registration of Exchange or Transfer” below, upon presentation for such purpose, the Fiscal Agent will, under such reasonable regulations as it may prescribe, register or transfer or cause to be transferred on said Bond Register, Bonds and any Parity Bonds as provided in the Indenture.

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

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

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

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

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

Book-Entry System. The Bonds will be initially delivered in the form of a separate single fully registered Bond (which may be typewritten) for each maturity. Upon initial delivery, the ownership of each such Bond will be registered in the Bond Register in the name of the Nominee as nominee of the Depository. Except as described under the caption “—Transfers Outside Book-Entry System” below, all of the Outstanding Bonds will be registered in the Bond Register in the name of the Nominee. At the election of the District, any Parity Bonds may also be issued as book entry bonds registered in the name of the Nominee as provided in the Indenture, in which case the references under the captions “—Book-Entry System,” “—Representation Letter,” “—Transfers Outside Book-Entry System,” and “—Payments to Nominee” will be applicable to such Parity Bonds.

With respect to Bonds registered in the Bond Register in the name of the Nominee, the District and the Fiscal Agent will have no responsibility or obligation to any Participant or to any Person on behalf of which such Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the District

and the Fiscal Agent will have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other Person, other than an Owner as shown in the Bond Register, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in the Bonds to be redeemed in the event the Bonds are redeemed in part, or (iv) the payment to any Participant or any other Person, other than an Owner as shown in the Bond Register, of any amount with respect to principal of, premium, if any, or interest due with respect to the Bonds. The District and the Fiscal Agent may treat and consider the Person in whose name each Bond is registered in the Bond Register as the holder and absolute owner of such Bond for the purpose of payment of the principal of, premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Fiscal Agent will pay all principal of, premium, if any, and interest due on the Bonds only to or upon the order of the respective Owner, as shown in the Bond Register, or their respective attorneys duly authorized in writing, and all such payments will be valid and effective to satisfy and discharge fully the District's obligations with respect to payment of the principal, premium, if any, and interest due on the Bonds to the extent of the sum or sums so paid. No Person other than an Owner, as shown in the Bond Register, will receive a Bond evidencing the obligation of the District to make payments of principal, premium, if any, and interest pursuant to the Indenture. Upon delivery by the Depository to the Fiscal Agent and the District of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions in the Indenture with respect to Record Dates, the word Nominee in the Indenture will refer to such new nominee of the Depository.

Representation Letter. In order to qualify the Bonds and any Parity Bonds which the District elects to register in the name of the Nominee for the Depository's book-entry system, an authorized representative of the Fiscal Agent is authorized to execute from time to time and deliver to such Depository the Representation Letter. The execution and delivery of the Representation Letter will not in any way limit the provisions of the Indenture described under the caption "COVENANTS AND WARRANTY—Warranty" or in any other way impose upon the District or the Fiscal Agent any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners, as shown in the Bond Register. The Fiscal Agent agrees to take all action necessary to continuously comply with all representations made by it in the Representation Letter. In addition to the execution and delivery of the Representation Letter, the President of the Board of Directors and the Authorized Representatives of the Water District are authorized to take any other actions, not inconsistent with the Indenture, to qualify the Bonds for the Depository's book-entry program.

Transfers Outside Book-Entry System. In the event (i) the Depository determines not to continue to act as securities depository for the Bonds or Parity Bonds, or (ii) the District determines that the Depository will no longer so act, then the District will discontinue the book-entry system with the Depository. If the District fails to identify another qualified securities depository to replace the Depository then the Bonds and Parity Bonds so designated will no longer be restricted to being registered in the Bond Register in the name of the Nominee, but will be registered in whatever name or names Persons transferring or exchanging Bonds and Parity Bonds will designate, in accordance with the provisions of the Indenture described under the caption "—Registration of Exchange or Transfer."

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

Issuance of Additional Bonds for Refunding Purposes. The District may at any time after the issuance and delivery of the Bonds under the Indenture issue Parity Bonds payable from the Net Special Taxes and other amounts deposited in the Special Tax Fund and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued under the

Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be issued for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then Outstanding. Parity Bonds issued to effect a partial refunding will be issued subject to the following additional specific conditions, which are conditions precedent to the issuance of any such Parity Bonds:

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

(b) The issuance of such Parity Bonds will have been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Parity Bonds will have been provided for by a Supplemental Indenture duly approved, executed and delivered by the District which will specify the following:

(i) the purpose for which such Parity Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited;

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

(iii) the date, the interest payment dates, and the maturity date or dates of such Parity Bonds; provided that (1) each interest payment date will fall on a March 1 or September 1 and (2) each maturity date will fall on a September 1;

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

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

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

(vii) the amount, if any, to be deposited from the proceeds of such Parity Bonds in the Reserve Account of the Special Tax Fund to increase the amount therein to the Reserve Requirement, provided that if the interest on such Parity Bonds is intended by the District to be excluded from the gross income of the recipients thereof for federal income tax purposes, such amount will not exceed the maximum amount of proceeds that, in the opinion of Bond Counsel, can be so deposited without causing the interest on such Parity Bonds to be included in the gross income of the recipients thereof for federal income tax;

(viii) the form of such Parity Bonds; and

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

(c) The Fiscal Agent will have received the following documents, all dated or certified, as the case may be, as of the date of delivery of such Parity Bonds:

(i) an executed copy of the Supplemental Indenture in connection with the issuance of such Parity Bonds;

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

(iii) an opinion of Bond Counsel and/or general counsel to the District to the effect that (1) the District has the right and power under the Act to adopt the Supplemental Indenture relating to such Parity Bonds, and the Supplemental Indenture has been duly and lawfully approved, executed and delivered by the District, is in full force and effect and is valid and binding upon the District and enforceable in accordance with its terms (subject to the usual and customary exceptions); (2) the Indenture creates the valid pledge which it purports to create of the Net Special Taxes and other amounts as provided in the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture; and (3) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (subject to the usual and customary exceptions) and the terms of the Indenture and all Supplemental Indentures thereto and are entitled to the benefits of the Indenture and all such Supplemental Indentures, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and the Indenture and all such Supplemental Indentures; and a further opinion of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds theretofore issued on a tax exempt basis, or the exemption from State of California personal income taxation of interest on any Outstanding Bonds and Parity Bonds theretofore issued;

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

(v) a certificate from an Independent Financial Consultant to the effect that Annual Debt Service after the issuance of such Parity Bonds will be no larger than Annual Debt Service would have been prior to the issuance of such Parity Bonds in each Fiscal Year in which Bonds or Parity Bonds (other than the refunding Parity Bonds) will remain Outstanding; and

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

CREATION OF FUNDS; APPLICATION OF PROCEEDS; AND SPECIAL TAXES

Creation of Funds and Application of Proceeds.

The Indenture creates and establishes the following funds and accounts, which will be maintained by the Fiscal Agent:

(1) The Community Facilities District No. 2019-86 (Tierra Del Sol) Special Tax Fund, in which there will be established and created an Interest Account, a Principal Account, a Redemption Account and a Reserve Account; and

(2) The Community Facilities District No. 2019-86 (Tierra Del Sol) Rebate Fund, in which there will be established a Rebate Account;

(3) The Community Facilities District No. 2019-86 (Tierra Del Sol) Improvement Fund, in which there will be established the Costs of Issuance Account, the EMWD Improvements Account, the Capacity Improvements Account and the School District Facilities Account;

(4) The Administrative Expense Fund; and

(5) The Community Facilities District No. 2019-86 (Tierra Del Sol) Special Tax Holding Fund.

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

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

The Fiscal Agent may, in its discretion, establish a temporary fund or account in its books and records to facilitate such deposits. The amounts on deposit in the foregoing funds and accounts will be held by the Fiscal Agent and the Fiscal Agent will invest and disburse the amounts in such funds and accounts in accordance with the provisions of the Indenture and will disburse investment earnings thereon in accordance with the provisions of the Indenture described under the caption “—Investments” below.

Special Taxes and Deposits to and Disbursements from Special Tax Fund.

(a) Except for the portion of any Prepayment to be deposited to the Redemption Account, the District will, on each date on which the Special Taxes are received by the District, transfer the Special Taxes to the Fiscal Agent for deposit in the Special Tax Fund to be held in trust by the Fiscal Agent. The Fiscal Agent will use the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the Indenture, in the following order of priority, to:

(1) Deposit in the Administrative Expense Fund an amount equal to the Administrative Expense Requirement or, if the Fiscal Agent receives written direction from the District to transfer a lesser amount, then such lesser amount, provided that not more than one half of the Administrative Expense Requirement will be so transferred in any Fiscal Year prior to the date on which the balance on deposit in the Interest Account of the Special Tax Fund is at least equal to the interest payable on the Bonds and Parity Bonds on March 1;

(2) Deposit in the Interest Account of the Special Tax Fund the amount necessary to cause the balance on deposit therein to equal the interest coming due on the Bonds and Parity Bonds on the next succeeding Interest Payment Date;

(3) Deposit in the Principal Account of the Special Tax Fund the amount necessary to cause the balance on deposit therein to be equal to the principal amount of the Bonds, Parity Bonds and/or the Sinking Fund Payment payable on the next succeeding September 1;

(4) Deposit in the Redemption Account of the Special Tax Fund the amount necessary to pay any optional redemption of the Bonds as provided in the Indenture or optional redemption of any Parity Bonds;

(5) Deposit in the Reserve Account of the Special Tax Fund the amount, if necessary, to cause the balance on deposit in the Reserve Account to equal the Reserve Requirement;

(6) Pay to the District any Administrative Expenses in excess of the Administrative Expense Requirement that the District has requested be paid or reimbursed to it;

(7) Deposit in the Rebate Account the amounts required to be deposited therein as described under the caption “—Rebate Fund” below; and

(8) Deposit in the Special Tax Holding Fund, after all of the foregoing deposits and transfers and all of the deposits and transfers required under the Indenture have been completed, any amount directed in writing by the District.

(b) The portion of any Prepayment received by the District that is the “Future Facilities Costs” thereof (as defined in the Rate and Method of Apportionment) will be identified as such by the District and transferred to the Fiscal Agent for deposit in the Improvement Fund and in such accounts therein as will be specified in a Certificate of an Authorized Representative of the District. The portion of any Prepayment

received by the District that is to be applied to the redemption of Bonds or Parity Bonds will be identified as such by the District and transferred to the Fiscal Agent for deposit in the Redemption Account.

At maturity of all of the Bonds and Parity Bonds and after all principal and interest then due on the Bonds and Parity Bonds then Outstanding has been paid or provided for, Special Taxes held by the District and moneys in the Special Tax Fund and any accounts therein may be used by the District for any lawful purpose.

Administrative Expense Fund. Amounts on deposit in the Administrative Expense Fund may be applied by the Fiscal Agent upon the written direction of the District from time to time to pay Administrative Expenses.

Interest Account and Principal Account of the Special Tax Fund. The scheduled principal or Sinking Fund Payments of, and interest on, the Bonds and any Parity Bonds will be paid by the Fiscal Agent from amounts transferred to the Interest Account and the Principal Account of the Special Tax Fund. For the purpose of assuring that the payment of principal or Sinking Fund Payment of, and interest on, the Bonds and any Parity Bonds will be made when due, after the deposit is made as described under the caption “—Administrative Expense Fund” above, at least one Business Day prior to each Interest Payment Date, the Fiscal Agent will make the following transfers first to the Interest Account and then to the Principal Account:

(a) To the Interest Account, an amount such that the balance in the Interest Account one (1) Business Day prior to each Interest Payment Date will be equal to the installment of interest due on the Bonds and any Parity Bonds on said Interest Payment Date. Moneys in the Interest Account will be used for the payment of interest on the Bonds and any Parity Bonds as the same become due.

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

However, notwithstanding the above, to the extent that deposits have been made in the Interest Account or the Principal Account from the proceeds of the sale of the Bonds and any Parity Bonds, or otherwise, or to the extent that a transfer will be made from the Reserve Account to the Interest Account as described in the last paragraph under the caption “—Reserve Account of the Special Tax Fund” below, the transfers from the Special Tax Fund described above will be reduced by a like amount.

Redemption Account of the Special Tax Fund.

(a) After making the transfers and deposits to the Administrative Expense Fund, the Interest Account and the Principal Account described under the captions “—Administrative Expense Fund” and “—Interest Account and Principal Account of the Special Tax Fund” above, and in accordance with the District’s election to call Bonds for optional redemption as set forth in the Indenture, or to call Parity Bonds for optional redemption as set forth in any Supplemental Indenture for Parity Bonds, the Fiscal Agent will transfer from the Special Tax Fund and deposit in the Redemption Account moneys available for the purpose and sufficient to pay the principal and the premiums, if any, payable on the Bonds or Parity Bonds called for optional redemption; provided, however, that amounts in the Special Tax Fund may be applied to optionally redeem Bonds or Parity Bonds only if immediately following such redemption the amount in the Reserve Account will equal the Reserve Requirement.

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

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

Reserve Account of the Special Tax Fund. Amounts in the Reserve Account will be applied as follows:

(a) Moneys in the Reserve Account will be used solely for the purpose of paying the principal of, including Sinking Fund Payments, and interest on the Bonds and any Parity Bonds when due or in the event that, the balance on deposit in the Interest Account or the Principal Account, as the case may be, is insufficient for such purpose and for the purpose of making any required transfer to the Rebate Fund, as described under the caption “—Rebate Fund” below, upon written direction from the District or any required transfer to the Redemption Account as described below. If the amounts in the Interest Account or Principal Account, as the case may be, are insufficient to pay the principal of, including Sinking Fund Payments, or interest on the Bonds and Parity Bonds when due, or amounts in the Special Tax Fund are insufficient to make transfers to the Rebate Fund when required, the Fiscal Agent will withdraw from the Reserve Account for deposit in the Interest Account or the Principal Account, as the case may be, or the Rebate Fund, as applicable, moneys necessary for such purposes.

(b) Whenever moneys are withdrawn from the Reserve Account, after making the required transfers to the Administrative Expense Fund, the Interest Account, the Principal Account and the Redemption Account, the Fiscal Agent will transfer to the Reserve Account from available moneys in the Special Tax Fund, or from any other legally available funds which the District elects to apply to such purpose, the amount needed to restore the amount of the Reserve Account to the Reserve Requirement. If amounts in the Special Tax Fund together with any other amounts transferred to replenish the Reserve Account are inadequate to restore the Reserve Account to the Reserve Requirement, then the District will include the amount necessary to fully restore the Reserve Account to the Reserve Requirement in the next annual Special Tax levy to the extent of the Maximum Special Taxes.

(c) In connection with a redemption of Bonds (other than mandatory sinking fund redemptions) or Parity Bonds in accordance with the Indenture or any Supplemental Indenture or a partial defeasance of Bonds or Parity Bonds as described under the caption “DEFEASANCE—Defeasance”, amounts in the Reserve Account may be applied to such redemption or partial defeasance if so provided in a Certificate of an Authorized Representative, so long as the amount on deposit in the Reserve Account following such optional redemption or partial defeasance equals the Reserve Requirement following such optional redemption or partial defeasance.

(d) To the extent that the sum of the amounts on deposit in the Reserve Account as of the first day of the penultimate Bond Year equals or exceeds the sum of Annual Debt Service in each of the final two Bond Years, amounts in the Reserve Account may be applied to pay the principal of and interest due on the Bonds and Parity Bonds in such Bond Years, if so provided in a Certificate of an Authorized Representative.

(e) To the extent that the amount on deposit in the Reserve Account as of the first day of the final Bond Year for the Bonds or an issue of Parity Bonds equals or exceeds Annual Debt Service for that Bond Year, amounts in the Reserve Account may be applied to pay the principal of and interest due on the Bonds and Parity Bonds, as applicable, in the final Bond Year for such issue, if so provided in a Certificate of an Authorized Representative.

(f) The Fiscal Agent will withdraw from the Reserve Account moneys in excess of the Reserve Requirement not transferred in accordance with the preceding paragraphs one Business Day before each March 1 and September 1, and transfer such moneys to the Interest Account of the Special Tax Fund, unless prior to such date the Fiscal Agent is directed in a Certificate of an Authorized Representative to transfer such moneys to a different fund or account specified in such certificate.

Rebate Fund.

(a) All money at any time deposited in the Rebate Account of the Rebate Fund will be held by the Fiscal Agent in trust, for payment to the United States Treasury. All amounts on deposit in the Rebate Account with respect to the Bonds or an issue of Parity Bonds will be governed as described below and by the Tax Certificate, unless the District delivers to the Fiscal Agent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest payments on the Bonds and Parity Bonds will not be adversely affected if such requirements are not satisfied. The Fiscal Agent will not be responsible for calculating rebatable arbitrage or for the adequacy or correctness or any rebate report or rebate calculations. The Fiscal Agent will be deemed conclusively to have complied with the provisions of the Indenture regarding calculation and payment of the rebatable arbitrage if the Fiscal Agent follows the directions of the District and the Fiscal Agent will have no independent duty to review such calculations or enforce the compliance with such rebate requirements.

(i) Rebate Account. The following requirements will be satisfied with respect to the Rebate Account:

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

(2) Annual Transfer. Within 55 days of the end of each Bond Year for which Rebatable Arbitrage must be calculated as required by the Tax Certificate the District will transfer to the Fiscal Agent an amount to be deposited in the Rebate Account if and to the extent required, so that the balance in the Rebate Account will equal the amount of Rebatable Arbitrage so calculated by or on behalf of the District in accordance with paragraph (1) above with respect to the Bonds and each issue of Parity Bonds issued on a tax-exempt basis. In the event that immediately following any transfer required by the previous sentence, or the date on which the District determines that no transfer is required for such Bond Year, the amount then on deposit in the Rebate Account exceeds the amount required to be on deposit therein, the Fiscal Agent will withdraw the excess from the Rebate Account and then credit the excess to the Administrative Expense Fund.

(3) Payment to the Treasury. The District will direct the Fiscal Agent to pay to the United States Treasury out of amounts in the Rebate Account,

(x) Not later than 60 days after the end of (A) the fifth Bond Year for the Bonds and each issue of Parity Bonds to which the Rebate Account provisions of the Indenture are applicable, and (B) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year for the Bonds and each issue of Parity Bonds; and

(y) Not later than 60 days after the payment or redemption of all of the Bonds or an issue of Parity Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

In the event that, prior to the time of any payment required to be made from the Rebate Account, the amount in the Rebate Account is not sufficient to make such payment when such payment is due, the District will calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to the above paragraphs will be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and will be accompanied by Internal Revenue Service Form 8038-T, or will be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Account after redemption and payment of the Bonds or an issue of Parity Bonds and after making the payments described in paragraph (a)(i)(3) may be withdrawn by the District and utilized in any manner by the District.

(c) Survival of Defeasance and Final Payment. Notwithstanding anything described under the caption “—Rebate Fund” to the contrary, the obligation to comply with the provisions of the Indenture related to the Rebate Fund will survive the defeasance and final payment of the Bonds and any Parity Bonds with respect to which an account has been created in the Rebate Fund.

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

Surplus Money in the Special Tax Fund. After making the transfers described under the captions “—Special Taxes and Deposits to and Disbursements from Special Tax Fund,” “—Administrative Expense Fund,” “—Interest Account and Principal Account of the Special Tax Fund,” “—Redemption Account of the Special Tax Fund,” “—Reserve Account of the Special Tax Fund,” and “—Rebate Fund” as soon as practicable after each September 1, the excess amounts in the Special Tax Fund may, at the written direction of the District, be (a) retained in the Special Tax Fund to pay interest and principal on the Bonds and any Parity Bonds, (b) transferred to the Administrative Expense Fund if the amount therein is insufficient to pay Administrative Expenses, (c) transferred to the Redemption Account or (d) transferred to the Special Tax Holding Fund. In the absence of any such written direction of the District, such excess amounts will be held in the Special Tax Fund.

Special Tax Holding Fund. Moneys deposited in the Special Tax Holding Fund are not pledged to the repayment of the Bonds or Parity Bonds and may be used by the District for any lawful purpose and disbursed by the Fiscal Agent in accordance with the written direction of the District. In the event that the District reasonably expects to use any portion of the moneys in the Special Tax Holding Fund to pay debt service on any Outstanding Bonds and Parity Bonds, the District will direct the Fiscal Agent, pursuant to a Certificate of an Authorized Representative, to segregate such amount into a separate subaccount; and the moneys on deposit in such subaccount of the Special Tax Holding Fund will be invested in Authorized Investments the interest on which is excludable from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals under the Code) or in Authorized Investments at a Yield not in excess of the Yield on the Bonds or Parity Bonds, as applicable,

unless, in the opinion of Bond Counsel, investment at a higher Yield will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and Parity Bonds then Outstanding.

Improvement Fund.

(a) The moneys in the Costs of Issuance Account in the Improvement Fund will be disbursed by the Fiscal Agent at the written direction of the District for the payment of Costs of Issuance. Any balance remaining in the Costs of Issuance Account on January 1, 2024 will be transferred as directed in a Certificate of an Authorized Representative, to one or more other accounts or subaccounts in the Improvement Fund as specified in such Certificate of an Authorized Representative and the Costs of Issuance Account will be closed.

(b) The moneys in the Capacity Improvements Account in the Improvement Fund will be disbursed by the Fiscal Agent to the Water District from time to time upon the written direction of the District and pursuant to the Funding Agreement.

(c) The moneys in the EMWD Improvements Account in the Improvement Fund will be disbursed by the Fiscal Agent to the Water District from time to time upon the written direction of the District and pursuant to the Funding Agreement

(d) The moneys in the School District Facilities Account in the Improvement Fund will be disbursed by the Fiscal Agent to the School District from time to time upon the written direction of the District and pursuant to the School District JCFA.

(e) Subject to any requirement of the Funding Agreement and/or the School District JCFA, if the District will determine that all or a specified portion of the amount remaining in any account in the Improvement Fund is no longer needed to pay the costs otherwise payable from such account, the District may cause the transfer of all or such specified portion, as applicable, of the moneys remaining on deposit in such account to any other of such accounts and after all amounts to be paid from such accounts are satisfied for deposit in the Special Tax Fund.

Investments. Moneys held in any of the funds, accounts and subaccounts under the Indenture will be invested by the District or the Fiscal Agent, as applicable, in accordance with the limitations set forth below only in Authorized Investments which will be deemed at all times to be a part of such funds, accounts and subaccounts. Any loss resulting from such Authorized Investments will be credited or charged to the fund, account or subaccount from which such investment was made, and any investment earnings on all amounts deposited in the Improvement Fund, the Special Tax Fund and the Rebate Fund and each account therein will be deposited in those respective funds and accounts. Moneys in the funds, accounts and subaccounts held under the Indenture may be invested by the District or the Fiscal Agent as directed by the District, as applicable, from time to time, in Authorized Investments subject to the following restrictions:

(a) Moneys in the Improvement Fund will be invested in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available without penalty, as close as practicable to the date the District estimates the moneys represented by the particular investment will be needed for withdrawal from the Improvement Fund. Notwithstanding anything in the Indenture to the contrary, amounts in the Improvement Fund three years after the Delivery Date for the Bonds and the proceeds of each issue of Parity Bonds issued on a tax-exempt basis which are remaining on deposit in the Improvement Fund on the date which is three years following the date of issuance of such issue of Parity Bonds will be invested by the District only in Authorized Investments the interest on which is excluded from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals under the Code) or in Authorized Investments at a yield not in excess of the yield on the issue of Bonds or Parity Bonds from which such proceeds were derived, unless in the opinion of Bond Counsel such restriction is not necessary to prevent interest on the Bonds or any Parity Bonds which were issued

on a tax-exempt basis for federal income tax purposes from being included in gross income for federal income tax purposes.

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

(c) Subject to the following sentence, moneys in the Reserve Account of the Special Tax Fund may be invested only in (i) Authorized Investments not less than 50% of which must mature within 6 months and all of which must mature within 1 year, (ii) Authorized Investments of the type defined in clause (7) of the definition of said term or (iii) one or more Investment Agreements. Moneys in the Reserve Account of the Special Tax Fund will not be invested in Authorized Investments of the type described in clause (12) of the definition thereof.

(d) Moneys in the Rebate Fund will be invested only in Authorized Investments of the type described in clause (1) of the definition thereof which by their terms will mature, as nearly as practicable, on the dates such amounts are needed to be paid to the United States Government as described under the caption “—Rebate Fund” above or in Authorized Investments of the type described in clause (7) of the definition thereof.

(e) In the absence of written direction from the District, the Fiscal Agent will invest any money held by it in Authorized Investments of the type described in clause (7) of the definition thereof.

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

The District or the Fiscal Agent, as applicable, may sell, or present for redemption any Authorized Investment so purchased whenever it will be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Authorized Investment is credited, and, as described under the caption “FISCAL AGENT—Liability of Fiscal Agent,” the District or the Fiscal Agent, as applicable, will not be liable or responsible for any loss resulting from such investment. For investment purposes, the District or the Fiscal Agent, as applicable, may commingle the funds and accounts established under the Indenture, but will account for each separately.

The District has acknowledged that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District or the Water District the right to receive brokerage confirmations of securities transactions as they occur, the District will not receive such confirmations to the extent permitted by law. The Fiscal Agent will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Fiscal Agent under the Indenture. The Fiscal Agent and its affiliates may act as sponsor, advisor, depository, principal or agent in the holding, acquisition or disposition of any investment.

REDEMPTION OF BONDS

Selection of Bonds and Parity Bonds for Redemption. If less than all of the Bonds or Parity Bonds of a maturity are to be redeemed, the portion of any Bond or Parity Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or an integral multiple thereof. In selecting portions of such Bonds or Parity Bonds for redemption, the Fiscal Agent will treat such Bonds or Parity Bonds, as representing that number of Bonds or Parity Bonds of \$5,000 denominations which is obtained by dividing the principal amount of such Bonds or Parity Bonds to be redeemed in part by \$5,000. The Fiscal Agent will promptly notify the District in writing of the Bonds or Parity Bonds, or portions thereof, selected for redemption.

Partial Redemption of Bonds or Parity Bonds. Upon surrender of any Bond or Parity Bond to be redeemed in part only, the District will execute and the Fiscal Agent will authenticate and deliver to the Bondowner, at the expense of the District, a new Bond or Bonds or a new Parity Bond or Parity Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds or Parity Bonds surrendered, with the same interest rate and the same maturity, or, in the case of surrender of a Parity Bond, a new Parity Bond or Parity Bonds subject to the foregoing limitations.

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

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

(b) Upon presentation and surrender thereof at the office of the Fiscal Agent, the redemption price of such Bonds and Parity Bonds will be paid to the Owners thereof;

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

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

COVENANTS AND WARRANTY

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

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

(a) **Punctual Payment; Against Encumbrances.** The District covenants that it will receive all Special Taxes in trust for the Owners (other than the Special Taxes to be deposited in the Administrative Expense Fund or other funds held by the District) and will deposit Special Taxes in the Special Tax Fund as

provided in the Indenture, and the District will have no beneficial right or interest in the amounts so deposited except as provided by the Indenture. All such Special Taxes will be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture, and will be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

The District further covenants that, in connection with the delivery of any Prepayment to the Fiscal Agent, the District will also deliver to the Fiscal Agent a certificate of the Special Tax Administrator identifying with respect to the Prepayment: (i) the “Future Facilities Costs” (as defined in the Rate and Method of Apportionment), with instructions that said amount be deposited in an appropriate account of the Improvement Fund, (ii) the “Administrative Expenses” (as defined in the Rate and Method of Apportionment), with instructions that said amount will be deposited in the Administrative Expense Fund, (iii) the amount that represents the Special Taxes levied in the current Fiscal Year on the subject Parcel which had not been paid, with instructions to deposit portions of said amount in the Interest Account and the Principal Account of the Special Tax Fund, (iv) the amount of the “Reserve Fund Credit” (as defined in the Rate and Method of Apportionment), with instructions to withdraw said amount from the Reserve Account and transfer it to the Redemption Account in connection with the redemption of Bonds or Parity Bonds, and (v) the amount to be deposited in the Redemption Account.

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

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

(b) Levy and Collection of Special Tax. On or before each August 1, commencing August 1, 2024, the District will communicate with the Treasurer or other appropriate official of the County to ascertain the relevant Parcels on which the Special Taxes are to be levied, taking into account any Parcel splits during the preceding and then current year.

The District may retain an Independent Financial Consultant to assist in the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance such that the computation of the levy is complete before the final date on which the Treasurer of the County will accept the transmission of the Special Tax amounts for the Parcels within the District for inclusion on the next secured tax roll. Upon the completion of the computation of the amounts of the levy, and approval by the legislative body of the District, the District will prepare or cause to be prepared, and will transmit to the Treasurer of the County, such data as the Treasurer of the County requires to include the levy of the Special Taxes on the next secured tax roll.

The District will fix and levy the amount of Special Taxes required for the payment of principal of and interest on Outstanding Bonds and Parity Bonds becoming due and payable during the ensuing year including any necessary replenishment or expenditure of the Reserve Account for the Bonds and Parity Bonds, an amount equal to the estimated Administrative Expenses and any additional amounts necessary for expenses incurred in connection with administration or enforcement of delinquent Special Taxes. The District further covenants, to the maximum extent permitted by law, 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 or Parity Bonds are Outstanding.

The Special Taxes will be payable and collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property; provided, the legislative body of the District may provide for direct collection of the Special Taxes in certain circumstances.

The fees and expenses of the Independent Financial Consultant retained by the District to assist in computing the levy of the Special Taxes under the Indenture and any reconciliation of amounts levied to amounts received, as well as the costs and expenses of the District (including a charge for District staff time) in conducting its duties under the Indenture, will be an Administrative Expense under the Indenture.

(c) Commence Foreclosure Proceedings. Pursuant to Section 53356.1 of the Act, the District covenants with and for the benefit of the Bondowners that it will order, and cause to be commenced, on or before October 1 of the Fiscal Year immediately following the Fiscal Year in which a delinquency in the payment of a Special Tax occurs, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due, provided that the District need not commence or pursue such proceedings with respect to any property owned by a single property owner who is delinquent in the payment of Special Taxes in an amount less than \$5,000 if both (i) the aggregate amount of such delinquent Special Taxes does not exceed 5% of the total Special Taxes due and payable for the Fiscal Year in question and (ii) the balance on deposit in the Reserve Account of the Special Tax Fund is not less than the Reserve Requirement.

Special Taxes collected as a result of a foreclosure proceeding will be deposited in the Special Tax Fund and only inure to the benefit of the Bonds in the manner described under the caption "CREATION OF FUNDS; APPLICATION OF PROCEEDS; AND SPECIAL TAXES—Special Taxes and Deposits to Disbursements from Special Tax Fund."

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

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

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

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

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

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

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

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

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

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

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

(g) Reduction of Maximum Special Taxes. The District finds and determines in the Indenture that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in Southern California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the District has determined that a reduction in the maximum Special Tax rates authorized to be levied on Parcels in the District below the levels provided in the Indenture would interfere with the timely retirement of the Bonds and Parity Bonds. The District determines it to be necessary in order to preserve the security for the Bonds and Parity Bonds to covenant, and, to the maximum extent that the law permits it to do so, the District covenants in the Indenture, that it will not initiate proceedings to reduce the maximum Special Tax rates for the District, unless, in connection therewith, (i) the District receives a certification from one or more Independent Financial Consultants which, when taken together, concludes that, on the basis of the Parcels of land and improvements existing in the District as of the October 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property in each Bond Year for any Bonds and Parity Bonds Outstanding will equal at least the Administrative Expense Requirement and 110% of gross debt service in each Bond Year on all Bonds and Parity Bonds to remain Outstanding after the reduction is approved, (ii) the District finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds or Parity Bonds, and (iii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds. For purposes of estimating Administrative Expenses for the foregoing calculation, the Independent Financial Consultants will compute the Administrative Expenses for the current Fiscal Year and escalate that amount by two percent (2%) in each subsequent Fiscal Year. Notwithstanding the foregoing, under no

circumstances will maximum Special Tax rates for the District be reduced until the District has determined that all Parity Bonds which the District intends to issue have been issued.

The District further covenants that in the event an ordinance is adopted by initiative pursuant to Section 3 of Article XIII C of the California Constitution, which purports to reduce or otherwise alter the maximum Special Tax rates, it will commence and pursue legal action seeking to preserve its ability to comply with its covenant contained in the preceding paragraph.

(h) Covenants to Defend. In the Indenture, the District covenants that, in the event that any initiative is adopted by the qualified electors in the District which purports to reduce the minimum or the maximum Special Tax below the levels described under the caption “—Reduction of Maximum Special Taxes” above or to limit the power of the District to levy the Special Taxes for the purposes described under the caption “—Levy and Collection of Special Tax” above, it will commence and pursue legal action in order to preserve its ability to comply with such covenants.

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

(j) Continuing Disclosure. The District covenants and agrees in the Indenture that it will comply with and carry out all of its obligations under the Continuing Disclosure Certificate and with the terms of any agreement executed by the District with respect to any Parity Bonds to assist the Underwriter in complying with Rule 15(c)2-12 adopted by the Securities and Exchange Commission. Notwithstanding any other provision of the Indenture, failure of the District to comply with its obligations under the Continuing Disclosure Certificate will not be considered an event of default under the Indenture, and the sole remedy, in the event of any failure of the District to comply with the Continuing Disclosure Certificate will be an action to compel performance. Upon receipt of indemnification to its satisfaction, the Fiscal Agent will at the request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or any Bondowner or Beneficial Owner take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its continuing disclosure obligations under the Indenture. “Beneficial Owner” means any Person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds or Parity Bonds (including persons holding Bonds or Parity Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds or Parity Bonds for federal income tax purposes.

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

(l) Opinions. In the event that an opinion is rendered by Bond Counsel as provided in the Indenture from a firm other than the firm which rendered the Bond Counsel opinion at closing, such subsequent opinion by Bond Counsel will also include the conclusions set forth in the original Bond Counsel opinion relating to the exclusion of interest on the Bonds from gross income for federal income tax purposes.

AMENDMENTS TO INDENTURE

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

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

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

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

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

(e) to modify, alter or amend the Rate and Method of Apportionment in any manner so long as such changes do not reduce the maximum Special Taxes that may be levied in each year to an amount which is less than the Administrative Expense Requirement and 110% of the principal and interest due in each corresponding future Bond Year with respect to the Bonds and any Parity Bonds Outstanding as of the date of such amendment; or

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

Notwithstanding the foregoing, no Supplemental Indenture may modify any of the duties or responsibilities of the Fiscal Agent without the written consent of the Fiscal Agent.

Supplemental Indentures or Orders Requiring Bondowner Consent. Exclusive of the Supplemental Indentures described under the caption “—Supplemental Indentures or Orders Not Requiring Bondowner Consent” above, the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding will have the right to consent to and approve the adoption by the District of such Supplemental Indentures as will be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing in the Indenture will permit, or be construed as permitting, (a) an extension of the maturity date of the principal, or the payment date of interest on, any Bond or Parity Bond, (b) a reduction in the principal amount of, or redemption premium on, any Bond or Parity Bond or the rate of interest thereon, (c) a preference or priority of any Bond or Parity Bond over any other Bond or Parity Bond, or (d) a reduction in the aggregate principal amount of the Bonds and Parity Bonds the Owners of which are required to consent to such Supplemental Indenture, without the consent of the Owners of all Bonds and Parity Bonds then Outstanding.

If at any time the District desires to adopt a Supplemental Indenture which requires the consent of the Bondowners, the District will so notify the Fiscal Agent and will deliver to the Fiscal Agent a copy of the proposed Supplemental Indenture. The Fiscal Agent will, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to all Bondowners at their addresses as they appear in the Bond Register. Such notice will briefly set forth the nature of the proposed Supplemental Indenture and will state that a copy thereof is on file at the office of the Fiscal Agent for inspection by all Bondowners. The failure of any Bondowners to receive such notice will not affect the validity of such

Supplemental Indenture when consented to and approved by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding if and as required by the Indenture, as described under this caption. Whenever at any time within one year after the date of the first mailing of such notice, the Fiscal Agent will receive an instrument or instruments purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding, which instrument or instruments will refer to the proposed Supplemental Indenture described in such notice, and will specifically consent to and approve the adoption thereof by the District substantially in the form of the copy referred to in such notice as on file with the Fiscal Agent, such proposed Supplemental Indenture, when duly adopted by the District, will thereafter become a part of the proceedings for the issuance of the Bonds and any Parity Bonds. In determining whether the Owners of a majority of the aggregate principal amount of the Bonds and Parity Bonds have consented to the adoption of any Supplemental Indenture, Bonds or Parity Bonds which are owned by the District or by any Person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, will be disregarded and will be treated as though they were not Outstanding for the purpose of any such determination.

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

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

FISCAL AGENT

Fiscal Agent. U.S. Bank Trust Company, National Association, having a corporate trust office in Los Angeles, California, by the Indenture appointed Fiscal Agent for the District for the purpose of receiving all money which the District is required to deposit with the Fiscal Agent under the Indenture and to allocate, use and apply the same as provided in the Indenture. In the event that the District fails to deposit with the Fiscal Agent any amount due under the Indenture when due, the Fiscal Agent will provide telephonic notice to the District and will confirm the amount of such shortfall in writing.

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

Bonds paid, discharged and cancelled by it. The Fiscal Agent will deliver to the District a monthly accounting of the funds and accounts it holds under the Indenture; provided, however, that the Fiscal Agent will not be obligated to deliver such accounting for any fund or account that has a balance of zero. The Fiscal Agent may establish such funds and accounts as it deems necessary or appropriate to perform its obligations under the Indenture.

The Fiscal Agent is authorized to redeem the Bonds and Parity Bonds when duly presented for payment at maturity, or on redemption prior to maturity. The Fiscal Agent will cancel all Bonds and Parity Bonds upon payment thereof as described under the caption “DEFEASANCE—Defeasance.”

The District will from time to time, subject to any agreement between the District and the Fiscal Agent then in force, pay to the Fiscal Agent compensation for its services, reimburse the Fiscal Agent for all its advances and expenditures, including, but not limited to, advances to and fees and expenses of independent accountants or counsel employed by it in the exercise and performance of its powers and duties under the Indenture, and indemnify and save the Fiscal Agent, its officers, directors, employees and agents, harmless against costs, claims, expenses and liabilities (including, without limitation, fees and expenses of counsel) not arising from its own negligence or willful misconduct as finally adjudicated by a court of competent jurisdiction, which it may incur in the exercise and performance of its powers and duties under the Indenture. The obligations of the District under the Indenture described above will survive the discharge of the Bonds and Parity Bonds and the resignation or removal of the Fiscal Agent.

Removal of Fiscal Agent. The District may at any time at its sole discretion remove the Fiscal Agent initially appointed, and any successor thereto, by delivering to the Fiscal Agent a written notice of its decision to remove the Fiscal Agent and may appoint a successor or successors thereto; provided that any such successor will be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. Any removal will become effective only upon acceptance of appointment by the successor Fiscal Agent. If any bank or trust company appointed as a successor publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this paragraph the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Resignation of Fiscal Agent. The Fiscal Agent may at any time resign by giving written notice to the District and by giving to the Owners notice of such resignation, which notice will be mailed to the Owners at their addresses appearing in the Bond Register. Upon receiving such notice of resignation, the District will promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent and appointment of a successor Fiscal Agent will become effective only upon acceptance of appointment by the successor Fiscal Agent.

If no appointment of a successor Fiscal Agent is made as described under this caption or under the caption “—Removal of Fiscal Agent” within forty-five (45) days after the Fiscal Agent will have received written notice from the District of its removal as Fiscal Agent or given to the District written notice of its resignation as Fiscal Agent, the Fiscal Agent, at the expense of the District, or any Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

Liability of Fiscal Agent. The recitals of fact and all promises, covenants and agreements contained in the Indenture and in the Bonds and any Parity Bonds will be taken as statements, promises, covenants and agreements of the District, and the Fiscal Agent assumes no responsibility for the correctness of the same and makes no representations as to the validity or sufficiency of the Indenture, the Bonds, or any Parity Bonds and will incur no responsibility in respect thereof, other than in connection with its duties or obligations specifically set forth in the Indenture, in the Bonds and any Parity Bonds, or in the certificate of authentication assigned to or imposed upon the Fiscal Agent. The Fiscal Agent is under no responsibility or duty with respect to the

issuance of the Bonds or any Parity Bonds for value. The Fiscal Agent will not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct. In no event will the Fiscal Agent be responsible or liable for special, indirect, consequential, punitive or incidental loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Fiscal Agent has been advised of the likelihood of such loss or damage and regardless of the form of action. In no event will the Fiscal Agent be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, pandemics, epidemics, recognized public emergencies, quarantine restrictions, nuclear or natural catastrophes or acts of God, interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services, and hacking, cyber-attacks, or other use or infiltration of the Fiscal Agent's technological infrastructure exceeding authorized access; it being understood that the Fiscal Agent will use reasonable efforts that are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

The Fiscal Agent will be protected in acting upon any notice, resolution, request, consent, order, certificate, report, Bond, Parity Bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Fiscal Agent may consult with counsel, who may be counsel to the District, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered under the Indenture in good faith and in accordance therewith.

The Fiscal Agent will not be bound to recognize any Person as the Owner of a Bond or Parity Bond unless and until such Bond or Parity Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under the Indenture the Fiscal Agent deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) may, in the absence of bad faith on the part of the Fiscal Agent, be deemed to be conclusively proved and established by a written certificate of the District, and such certificate will be full warrant to the Fiscal Agent for any action taken or suffered under the provisions of the Indenture upon the faith thereof, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Fiscal Agent will have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds or Parity Bonds.

No provision of the Indenture or any other document related to the Indenture will require the Fiscal Agent to risk or advance its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of its rights under the Indenture.

The immunities extended to the Fiscal Agent also extend to its directors, officers, employees and agents.

Interested Transactions. The Fiscal Agent and its officers and employees may acquire and hold Bonds with the same effect as if it were not Fiscal Agent. The Fiscal Agent, either as principal or agent, may engage in or be interested in any financial or other transaction with the District. The Fiscal Agent has the right to accept and act upon instructions or directions, including funds transfer instructions, pursuant to this Indenture sent by Electronic Means (as hereinafter defined); provided, however, that the Fiscal Agent has received an incumbency certificate listing designated persons authorized to provide such instructions ("Authorized Officers"), which incumbency certificate will be amended whenever a person is to be added or deleted from the listing. As used in this paragraph, "Electronic Means" means a portable document format ("pdf") or other replicating image

attached to an unsecured email, facsimile transmission, secure electronic transmission (containing applicable authorization codes, passwords and/or authentication keys issued by the Fiscal Agent), or another method or system specified by the Fiscal Agent as available for use in connection with its services hereunder. If the parties elects to give the Fiscal Agent instructions by Electronic Means and the Fiscal Agent in its discretion elects to act upon such instructions, the Fiscal Agent's understanding of such instructions will be deemed controlling. The parties agrees that the Fiscal Agent cannot determine the identity of the actual sender of such instructions and that the Fiscal Agent will conclusively presume that instructions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Fiscal Agent have been sent by such Authorized Officer. The District is responsible for ensuring that only Authorized Officers transmit such instructions to the Fiscal Agent, and the parties and the Authorized Officers are responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and authentication keys provided by the Fiscal Agent, if any. The Fiscal Agent is not liable for any losses, costs, or expenses arising directly or indirectly from the Fiscal Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction delivered by other means. The District agrees (i) to assume all risks arising out of the use of such Electronic Means to submit instructions and direction to the Fiscal Agent, including without limitation the risk of the Fiscal Agent acting on unauthorized instructions and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting instructions to the Fiscal Agent and that there may be more secure methods of transmitting instructions than the use of Electronic Means; (iii) that the security procedures (if any) to be followed in connection with its transmission of instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) that it will notify the Fiscal Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

All notices, approvals, consents, requests and any communications to the Fiscal Agent hereunder must be in writing in English and must be in the form of a document that is signed manually or by way of an electronic signature (including electronic images of handwritten signatures and digital signatures provided by DocuSign, Orbit, Adobe Sign or any other electronic signature provider acceptable to the Fiscal Agent). Electronic signatures believed by the Fiscal Agent to comply with the E-SIGN ACT of 2000 or other applicable law will be deemed original signatures for all purposes. If the parties chooses to use electronic signatures to sign documents delivered to the Fiscal Agent, such parties agree to assume all risks arising out of its use of electronic signatures, including without limitation the risk of the Fiscal Agent acting on an unauthorized document and the risk of interception or misuse by third parties. Notwithstanding the foregoing, the Fiscal Agent may in any instance and in its sole discretion require that an original document bearing a manual signature be delivered to the Fiscal Agent in lieu of, or in addition to, any document signed via electronic signature

Agents. The Fiscal Agent may execute any of its trusts or powers or perform its duties through attorneys, agents or receivers and the Fiscal Agent will not be answerable for the default or misconduct of any such attorney, agent or receiver selected by it with reasonable care.

EVENTS OF DEFAULT; REMEDIES

Events of Default. Any one or more of the following events will constitute an "event of default":

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

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

(c) Except as described in (a) or (b) above, default will be made by the District in the observance of any of the agreements, conditions or covenants on its part contained in the Indenture, any Supplemental Indenture or the Bonds or any Parity Bonds, and such default will have continued for a period of

30 days after the District will have been given notice in writing of such default by the Fiscal Agent or the Owners of 25% in aggregate principal amount of the Outstanding Bonds and Parity Bonds.

Remedies of Owners. Following the occurrence of an event of default, any Owner will have the right for the equal benefit and protection of all Owners similarly situated:

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

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

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

Nothing in the Indenture, in the Bonds or in any Parity Bonds will affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds and any Parity Bonds to the respective Owners thereof at the respective dates of maturity, as provided in the Indenture, out of the Net Special Taxes pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds, any Parity Bonds and in the Indenture. The principal of the Bonds and any Parity Bonds will not be subject to acceleration under the Indenture.

A waiver of any default or breach of duty or contract by any Owner will not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission by any Owner to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver of any such default or an acquiescence in the Indenture, and every power and remedy conferred upon the Owners by the Act or under the caption “EVENTS OF DEFAULT; REMEDIES” may be enforced and exercised from time to time and as often as will be deemed expedient by the Owners.

If any suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the District and the Owners will be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

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

In case the moneys held by the Fiscal Agent after an event of default, as described under (a) and (b) under the caption “—Events of Default” are insufficient to pay in full the whole amount so owing and unpaid upon the Bonds and Parity Bonds, then all available amounts will be applied as described under the caption “—Application of Revenues and Other Funds After Default” below.

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

First, to the payment of the fees, costs and expenses of the Owner in carrying out the provisions described under the caption “EVENTS OF DEFAULT; REMEDIES,” including reasonable compensation to its agents, attorneys and counsel, and to the payment of all other outstanding fees and expenses of the Owner; and

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

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

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

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

Non-Waiver. Nothing described under the caption “EVENTS OF DEFAULT; REMEDIES,” or in any other provision of the Indenture, the Bonds or the Parity Bonds, will affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds and Parity Bonds to the respective Owners of the Bonds and Parity Bonds at the respective dates of maturity, as provided in the Indenture, out of the Net Special Taxes and other moneys pledged in the Indenture for such payment.

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

DEFEASANCE

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

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

(a) by paying or causing to be paid the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same become due and payable;

(b) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund is fully sufficient to pay the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same will become due and payable; or

(c) by depositing with the Fiscal Agent, or another escrow bank appointed by the District, in trust, direct, non-callable, non-prepayable Federal Securities, of the type defined in the Indenture, in which the District may lawfully invest its money, in such amount as an Independent Financial Consultant will determine will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same will become due and payable;

then, at the election of the District, and notwithstanding that any Outstanding Bonds and Parity Bonds will not have been surrendered for payment, all obligations of the District under the Indenture with respect to such Bond or Parity Bond will cease and terminate, except for the obligation of the Fiscal Agent to pay or cause to be paid to the Owners of any such Bond or Parity Bond not so surrendered and paid, all sums due thereon and except for the covenants of the District described under the caption “COVENANTS AND WARRANTY—Covenants” relating to compliance with the Code. Notice of such election will be filed with the Fiscal Agent not less than thirty (30) days prior to the proposed defeasance date. In connection with a defeasance under (b) or (c) above, there will be provided to the Fiscal Agent a certificate of a certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Fiscal Agent or the escrow bank to pay and discharge the principal of and interest on all Outstanding Bonds or Parity Bonds to be defeased in accordance with the Indenture, as and when the same will become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Bonds being defeased have been legally defeased as described above and in any applicable Supplemental Indenture. Upon a defeasance, the Fiscal Agent, upon request of the District, will release the rights of the Owners of such Bonds and Parity Bonds which have been defeased under the Indenture and execute and deliver to the District all such instruments as may be desirable to evidence such release, discharge and satisfaction. The Fiscal Agent will, at the written direction of the District, mail, first class, postage prepaid, a notice to the Bondowners whose Bonds or Parity Bonds have been defeased, in the form directed by the District, stating that the defeasance has occurred.

MISCELLANEOUS

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

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

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

partnership on behalf of such partnership, such signature guarantee will also constitute sufficient proof of his authority.

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

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

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

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

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

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

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

Further Assurances. The District will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or

to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the Bonds or Parity Bonds the rights and benefits provided in the Indenture.

Severability. If any covenant, agreement or provision, or any portion thereof, contained in the Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of the Indenture and the application of any such covenant, agreement or provision, or portion thereof, to other persons or circumstances, will be deemed severable and will not be affected thereby, and the Indenture and the Bonds and any Parity Bonds issued pursuant to the Indenture will remain valid and the Bondowners will retain all valid rights and benefits accorded to them under the laws of the State of California.

APPENDIX B

FORM OF APPROVING LEGAL OPINION

[Closing Date]

Honorable Board of Directors
Eastern Municipal Water District
Perris, California

Re: \$5,615,000 Community Facilities District No. 2019-86 (Tierra Del Sol) of Eastern Municipal Water District 2023 Special Tax Bonds

Gentlemen:

We have examined the Constitution and laws of the State of California, a certified record of the proceedings of Eastern Municipal Water District (the “Water District”) taken in connection with the formation of Community Facilities District No. 2019-86 (Tierra Del Sol) of Eastern Municipal Water District (the “Community Facilities District”) and the authorization and issuance of the Community Facilities District’s 2023 Special Tax Bonds in the aggregate principal amount of \$5,615,000 (the “Bonds”) and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the Water District, the Community Facilities District, the initial purchaser 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 (Sections 53311 *et seq.* of the Government Code of the State of California), Resolution No. 2023-147 adopted by the Board of Directors of the Water District, acting in its capacity as the legislative body of the Community Facilities District, on November 15, 2023 (the “Resolution of Issuance”) and a Trust Indenture, dated as of December 1, 2023, by and between the Community Facilities District and U.S. Bank Trust Company, National Association, as the Fiscal Agent (the “Indenture”). All capitalized terms not defined herein shall have the meanings set forth in the Indenture.

The Bonds are dated as of the date hereof and mature on the dates and in the amounts set forth in the Indenture. The Bonds bear interest payable semiannually on each March 1 and September 1, commencing on March 1, 2024 at the rates per annum set forth in the Indenture. The Bonds are registered Bonds in the form set forth in the Indenture redeemable in the amounts, at the times and in the manner provided for in the Indenture.

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

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

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

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

(6) 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.

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

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.

We call attention to the fact that the foregoing opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or do occur (or do not occur). The Indenture

and the Tax Certificate executed by the Water District and the Community Facilities District with respect to the Bonds as of the date hereof permit certain actions to be taken or omitted if a favorable opinion of Bond Counsel is provided with respect thereto. We express no opinion as to the effect on the exclusion from gross income of interest on the Bonds for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of 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 relating to the Bonds or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

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APPENDIX C

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. 2019-86 (TIERRA DEL SOL) OF EASTERN MUNICIPAL WATER DISTRICT

A Special Tax (all capitalized terms are defined in Section A, “Definitions”, below) shall be applicable to each Parcel of Taxable Property located within the boundaries of Community Facilities District No. 2019-86 (Tierra Del Sol) of Eastern Municipal Water District. The amount of Special Tax to be levied in each Fiscal Year, on a Parcel, shall be determined by the Board of Eastern Municipal Water District, acting in its capacity as the legislative body of the CFD by applying the appropriate Special Tax for Developed Property, Approved Property, Undeveloped Property and Public Property and/or Property Owners’ Association Property that is not Exempt Property as set forth in Sections B, C, and D, below. All of the real property, unless exempted by law or by the provisions hereof in Section E, 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 acreage of a Parcel as indicated on the most recent Assessor’s Parcel Map, or if the land area is not shown on the Assessor’s Parcel Map, the land area shown on the applicable Final Map, parcel map, condominium plan, or other similar instrument.

“**Act**” means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1 of Division 2 of Title 5 of the California Government Code of the State of California.

“**Administrative Expenses**” means all actual or reasonably estimated costs and expenses of the District that are chargeable or allocable to carry out its duties as the Administrator as allowed by the Act, which shall include without limitation, all costs and expenses arising out of or resulting from the annual levy and collection of the Special Tax, trustee fees, rebate compliance calculation fees, any litigation involving the CFD, continuing disclosure undertakings of the District as imposed by applicable laws and regulations, communication with bondholders and normal administrative expenses.

“**Administrator**” means an official of the District, or designee thereof, responsible for determining the annual amount of the levy and collection of the Special Taxes.

“**Approved Property**” means all 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, and (ii) that have not been issued a Building Permit on or prior to the April 1st preceding the Fiscal Year in which the Special Tax is being levied.

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

“**Assigned Special Tax**” means the Special Tax for the applicable Land Use Category of Developed Property as determined in accordance with Section C.1.a., below.

“**Backup Special Tax**” means the Special Tax set forth in Section C.1.b., below.

“Board” means the Board of Directors of Eastern Municipal Water District.

“Bonds” means any bonds or other indebtedness (as defined in the Act), whether in one or more series, issued by the CFD and secured by the levy of Special Taxes.

“Boundary Map” means a recorded map of the CFD which indicates the boundaries of the CFD.

“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 permits issued or changed after the first issuance, as determined by the Administrator.

“CFD” means Community Facilities District No. 2019-86 (Tierra Del Sol) of the District established pursuant to the Act.

“County” means the County of Riverside.

“Developed Property” means all Parcels of Taxable Property: (i) that are included in a Final Map that was recorded prior to January 1st preceding the Fiscal Year in which the Special Tax is being levied, and (ii) for which a Building Permit for new construction has been issued on or prior to the April 1st preceding the Fiscal Year in which the Special Tax is being levied.

“District” means Eastern Municipal Water District.

“Dwelling Unit” or “(D/U)” means a residential unit that is used or permitted to be used as a domicile by one or more persons, as determined by the Administrator.

“Exempt Property” means any Parcel which is exempt from Special Taxes pursuant to Section E below.

“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 4285 that creates individual lots for which Building Permits may be issued without further subdivision.

“Fiscal Year” means the 12-month period starting on July 1 of any calendar year and ending on the following June 30.

“Indenture” means the bond indenture, fiscal agent agreement, trust 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.

“Maximum Special Tax” means for each Parcel, the maximum Special Tax, determined in accordance with Section C, which can be levied on such Parcel.

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

“Non-Residential Property” means all Parcels of Developed Property for which a Building Permit was issued for any type of non-residential use.

“Parcel(s)” means a lot or parcel shown on an Assessor’s Parcel Map with an assigned Assessor’s parcel number valid as of July 1st for the Fiscal Year for which the Special Tax is being levied.

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

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

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

“Residential Floor Area” means all of the square footage of living area of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio or similar area on a Parcel. The determination of Residential Floor Area shall be made by reference to the Building Permit issued for the Parcel or, if the Building Permit is not available by reference to a similar official document as selected by the Administrator.

“Residential Property” means all Parcels of Developed Property for which a Building Permit has been issued for purposes of constructing one or more Dwelling Units.

“Single Family Property” means all Parcels of Residential Property, other than Multifamily Residential Property.

“Special Tax(es)” means the special tax to be levied in each Fiscal Year on each Parcel of Taxable Property in accordance with Section D.

“Special Tax Requirement” means that amount required in any Fiscal Year: (i) to pay annual debt service on all outstanding Bonds due in the calendar year which commences in such Fiscal Year; (ii) to pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) to pay Administrative Expenses; (iv) to pay any anticipated shortfall due based on Special Tax delinquencies in the prior Fiscal Year; (v) to establish or replenish any reserve funds for the outstanding Bonds or with respect to Bonds expected to be issued; (vi) until the final series of Bonds are issued as determined by the Board, to pay directly for acquisition or construction of the facilities eligible under the Act, provided that the inclusion of such amount does not increase the levy of Special Tax on Approved Property or Undeveloped Property as set forth in Step 2 or Step 3 of Section D below; less (vii) a credit for funds available to reduce the annual Special Tax levy as determined pursuant to the Indenture all as determined by the Administrator.

“Taxable Property” means all Parcels for which the Special Taxes have not been prepaid in full pursuant to Section H or that are not exempt from the Special Tax pursuant to law or Section E.

“Taxable Unit” means either a Dwelling Unit or an Acre, as shown in Table 1.

“Undeveloped Property” means all Parcels of Taxable Property not classified as Developed Property, Approved Property, Public Property or Property Owners’ Association Property.

B. ASSIGNMENT TO LAND USE CATEGORY

Each Fiscal Year, commencing with the 2021-22 Fiscal Year, all Parcels of Taxable Property shall be classified as Developed Property, Approved Property, Undeveloped Property, Public Property and/or Property Owners’ Association Property, and subject to the levy of Special Taxes in accordance with this Rate and Method of Apportionment as determined pursuant to Sections C and D.

Parcels of Developed Property shall further be classified as Residential Property or Non-Residential Property. Parcels of Residential Property shall further be classified as Single Family Property or Multifamily Residential Property. Parcels of Single Family Property shall be further categorized into Land Use Categories based on the Residential Floor Area for such Parcel.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

The Maximum Special Tax for each Parcel of Single Family Property shall be the greater of: (i) the applicable Assigned Special Tax described in Table 1 or (ii) the amount derived by application of the Backup Special Tax.

The Maximum Special Tax for each Parcel of Non-Residential Property or Multifamily Residential Property shall be the Assigned Special Tax described in Table 1.

a. Assigned Special Tax

The Assigned Special Tax for each Parcel of Developed Property is shown in Table 1 below.

TABLE 1
Assigned Special Taxes for Developed Property

Land Use Category	Taxable Unit	Residential Floor Area	Assigned Special Tax Per Taxable Unit
1. Single Family Property	D/U	Less than 1,800 sq. ft.	\$3,080
2. Single Family Property	D/U	1,800 sq. ft. to 2,100 sq. ft.	\$3,180
3. Single Family Property	D/U	Greater than 2,100 sq. ft.	\$3,280
4. Multifamily Residential Property	Acre	N/A	\$48,134
5. Non-Residential Property	Acre	N/A	\$48,134

b. Backup Special Tax

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

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

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

2. Approved Property

The Maximum Special Tax for each Parcel of Approved Property expected to be classified as Single Family Property shall be the Backup Special Tax computed pursuant to Section C.1.b above.

The Maximum Special Tax for each Parcel of Approved Property expected to be classified as Multifamily Residential Property or Non-Residential Property is shown in Table 2 below.

TABLE 2
Approved Property Maximum Special Tax

Maximum Special Tax Per Acre
\$48,134

3. Undeveloped Property

The Maximum Special Tax for each Parcel of Undeveloped Property is shown in Table 3 below.

TABLE 3
Undeveloped Property Maximum Special Tax

Maximum Special Tax Per Acre
\$48,134

4. Public Property and/or Property Owners' Association Property that is not Exempt Property pursuant to the provisions of Section E.

The Maximum Special Tax for each Parcel of Public Property and/or Property Owners' Association Property that is not Exempt Property shall be equal to \$48,134 per Acre.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2021-22 and for each following Fiscal Year, the Board shall levy the Special Tax on all Taxable Property until the amount of Special Taxes equals the applicable Special Tax Requirement in accordance with the following steps:

First: The Special Tax shall be levied Proportionately on each Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax rate as needed to satisfy the Special Tax Requirement;

Second: 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 Parcel of Approved Property at up to 100% of the Maximum Special Tax for Approved Property as needed to satisfy the Special Tax Requirement;

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

Fourth: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the Special Tax to be levied on each Parcel of Developed Property for which the Maximum Special Tax is derived by the application of the Backup Special Tax shall be increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax for such Parcel as needed to satisfy the Special Tax Requirement;

Fifth: 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 Parcel of Taxable Property that is Public Property or Property Owners' Association Property at up to 100% of the Maximum Special Tax for such 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 Parcel of Residential Property as a result of a delinquency in the payment of the Special Tax applicable to any other 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.

E. EXEMPTIONS

The Administrator shall classify as Exempt Property all Parcels of (i) Public Property and (ii) Property Owners' Association Property; provided that such classification shall not reduce the Acreage of all Taxable Property within the CFD to less than 9.15 Acres. The Administrator shall not classify a Parcel of Public Property or Property Owners' Association Property as Exempt Property if such classification would reduce the Acreage of all Parcels of Taxable Property to less than 9.15 Acres. Such Parcels that cannot be classified as Exempt Property because such classification would reduce the Acreage of all Parcels of Taxable Property to less than 9.15 Acres will continue to be classified as Property Owners' Association Property or Public Property, and will continue to be subject to Special Taxes. The Administrator shall classify Parcels as Exempt Property in the chronological order in which such Parcels become Public Property or Property Owners' Association Property.

F. MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes and shall be subject to the same penalties, the same procedure, sale and lien priority in the case of delinquency; provided, however, that the Administrator may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet the financial obligations, and provided further that the CFD may covenant to foreclose and may actually foreclose on Parcels having delinquent Special Taxes as permitted by the Act.

G. APPEALS

Any taxpayer may file a written appeal of the Special Tax levied against his/her Parcel(s) with the 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 Administrator shall review the appeal, meet with the appellant if the Administrator deems necessary, and advise the appellant of its determination. If the Administrator agrees with the appellant, the Administrator shall grant a credit to eliminate or reduce future Special Taxes on the appellant's Parcel(s). No refunds of previously paid Special Taxes shall be made.

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

Interpretations may be made by the Board by resolution for purposes of clarifying any vagueness or ambiguity as it relates to any tax class, tax rate, method of apportionment or definition applicable to this Rate and Method of Apportionment of Special Tax.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section H:

“CFD Public Facilities” means \$6,000,000, expressed in 2021 dollars, which shall increase by the Construction Inflation Index on July 1, 2022, and on each July 1 thereafter, or such lower number as (i) shall be determined by the Administrator as sufficient to provide the public facilities under the authorized bonding program, or (ii) shall be determined by the Board concurrently with a covenant that the CFD will not issue any more Bonds.

“Construction Fund” means, collectively, all accounts specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Act and any accounts established prior to the issuance of Bonds for such purpose.

“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 Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

“Future Facilities Costs” means the CFD Public Facilities minus (i) Bond proceeds deposited in the Construction Fund and (ii) other amounts (special taxes, interest earnings, etc.) allocated to the Construction Fund that were available to fund such CFD Public Facilities prior to the date of prepayment.

“Outstanding Bonds” means all previously issued Bonds, which will remain outstanding after the payment of principal from the amount of Special Taxes that have been levied, excluding Bonds to be redeemed at a later date with the proceeds of prior prepayments of Special Taxes.

1. Prepayment in Full

The Special Tax obligation may be prepaid and permanently satisfied for (i) Parcels of Developed Property, (ii) Parcels of Approved Property or Undeveloped Property for which a Building Permit has been issued, (iii) Parcels of Approved Property or Undeveloped Property for which a Building Permit has not been issued, and (iv) Parcels of Public Property or Property Owners’ Association Property that are not Exempt Property pursuant to Section E. The Special Tax obligation applicable to a Parcel may be fully prepaid and the obligation to pay the Special Tax for such 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 Parcel at the time of prepayment. An owner of a Parcel intending to prepay the Special Tax obligation for such Parcel shall provide the Administrator with written notice of intent to prepay, and within 5 business days of receipt of such notice, the 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 Parcel. Within 15 days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the Prepayment Amount for the

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 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 Parcel.
2. For a Parcel of Developed Property, compute the Maximum Special Tax for the Parcel. For a Parcel of Approved Property or Undeveloped Property for which a Building Permit has been issued, compute the Maximum Special Tax for the Parcel as though it was already designated as Developed Property, based upon the Building Permit which has been issued for the Parcel. For a Parcel of Approved Property or Undeveloped Property for which a Building Permit has not been issued, Public Property or Property Owners' Association Property to be prepaid, compute the Maximum Special Tax for the Parcel.
3. Divide the Maximum Special Tax derived pursuant to paragraph 2 by the total amount of Special Taxes that could be levied at build out of all Parcels of Taxable Property based on the applicable Maximum Special Tax for all such Parcels of Taxable Property not including any 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 portion of the Future Facilities Costs applicable to the 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 Parcel in the current Fiscal Year which have not yet been paid.

10. Determine the amount the 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 Special Tax obligation for the 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 Administrator shall remove the current Fiscal Year’s Special Tax levy for the Parcel from the County tax roll. With respect to any Parcel for which the Special Tax obligation is prepaid, the Board shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of the Special Tax obligation and the release of the Special Tax lien for the Parcel, and the obligation to pay the Special Tax for such Parcel shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Taxes that may be levied on all 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 Special Tax obligation may be accepted upon the terms and conditions established by the Board 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 Board.

2. Prepayment in Part

The Special Tax obligation for a 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 H.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

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

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

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

The owner of a Parcel who desires to partially prepay the Special Tax obligation for the Parcel shall notify the Administrator of (i) such owner's intent to partially prepay the Special Tax obligation, (ii) the percentage of the 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 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 Administrator shall notify such owner of the amount of the Partial Prepayment for the Parcel. A Partial Prepayment 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.

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

I. TERM OF THE SPECIAL TAX

Each Fiscal Year, the Special Tax shall be levied on all Parcels subject to the Special Tax pursuant to Section D. If any delinquent Special Taxes remain uncollected prior to or after all Bonds are retired, the Special Tax may be levied to the extent necessary to reimburse the CFD for uncollected Special Taxes associated with the levy of such Special Taxes, but the Special Tax shall not be levied after Fiscal Year 2064-2065.

APPENDIX D
APPRAISAL REPORT

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APPRAISAL REPORT
COVERING
Community Facilities District No. 2019-86
(Tierra Del Sol)
of Eastern Municipal Water District

DATE OF VALUE:

September 22, 2023

SUBMITTED TO:

Eastern Municipal Water District
2270 Trumble Rd.
Perris, CA 92570

Attn: Thomas Hays
Assistant Chief Financial Officer

DATE OF REPORT:

October 2, 2023

SUBMITTED BY:

Stephen G. White, MAI
1801 Lexington Dr.
Fullerton, CA 92835

Stephen G. White, MAI



Real Estate Appraiser

1801 LEXINGTON DRIVE · FULLERTON, CALIFORNIA 92835
(714) 738-1595 · swhite@white-appraisal.com

October 2, 2023

Eastern Municipal Water District
2270 Trumble Rd.
Perris, CA 92570

Re: Community Facilities District No. 2019-86
(Tierra Del Sol)

Attn: Thomas Hays
Assistant Chief Financial Officer

Dear Mr. Hays:

In accordance with your request and authorization, I have completed an appraisal of the taxable properties within the above-referenced Community Facilities District (CFD). The taxable properties included in this appraisal consist of 139 single-family lots that are being developed with a neighborhood of homes called Tierra Del Sol. As of September 22, 2023 there were 61 completed-closed sales (closed builder sales), 20 completed-unclosed homes (including the 2 models), 8 homes under construction and 50 vacant lots.

The purpose of this appraisal is to estimate the aggregate market value of the as is condition of these taxable properties, with the values allocated to Individual Owners (completed-closed homes) and to Builder Ownership (completed-unclosed homes, homes under construction and vacant lots). In addition, this appraisal reflects the proposed CFD bond financing, as well as the effective tax rate estimated at an average of $\pm 1.7\%$ based on the average appraised value for the completed-closed homes and including special taxes for this CFD and other overlapping debt.

Based on the general inspections of the properties and analysis of matters pertinent to value, the following conclusions of market value have been arrived at, subject to the Assumptions and Limiting Conditions, and as of September 22, 2023:

<u>Ownership</u>	<u>No. Lots</u>	<u>Market Value</u>
<i>Individual Owners (completed-closed homes):</i>	61	\$33,550,000
<i>Builder Ownership (completed-unclosed homes):</i>	20	\$8,600,000
<i>Builder Ownership (homes under construction):</i>	8	\$1,480,000
<i>Builder Ownership (vacant lots):</i>	<u>50</u>	<u>\$9,140,000</u>
	139	\$52,770,000

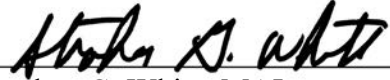
\$52,770,000

(FIFTY-TWO MILLION SEVEN HUNDRED SEVENTY THOUSAND DOLLARS)

MR. THOMAS HAYS
OCTOBER 2, 2023
PAGE 2

The following is the balance of this 37-page Appraisal Report which includes the Certification, Assumptions and Limiting Conditions, definitions, property data, exhibits, valuation and market data from which the value conclusions were derived.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen G. White", is written over a horizontal line.

Stephen G. White, MAI
(State Certified General Real Estate
Appraiser No. AG013311)

SGW:sw
Ref: 23020

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APPRAISAL SUMMARY

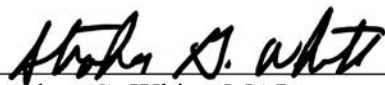
Property Type:	61 completed-closed homes, 20 completed-unclosed homes, 8 homes under construction & 50 vacant lots; 139 total lots
Ownership:	Individual Owners (completed-closed homes) Builder Ownership (completed-unclosed homes, homes under construction & vacant lots)
Date of Value:	September 22, 2023
Date of Report:	October 2, 2023
Location:	NWC Benton Rd. & Pourroy Rd., Winchester (Unincorporated Riverside County)
APNs:	963-500-001 to 062 and 963-501-001 to 077
Legal Description:	Lots 1 to 139 of Tract No. 37715
Lot Sizes:	±2,800 s.f. minimum
Home Sizes:	1,677 s.f. to 2,300 s.f.
Years Built:	2022-current
Highest & Best Use:	As Improved/As Planned
Method of Analysis:	Sales Comparison Approach/Mass Appraisal
Value Conclusions:	61 Completed-Closed Homes: \$33,550,000 20 Completed-Unclosed Homes: \$ 8,600,000 8 Homes Under Construction: \$ 1,480,000 50 Vacant Lots: <u>\$ 9,140,000</u>
	Total: \$52,770,000

CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the properties that are the subject of this report, and no personal interest with respect to the parties involved.
- I have no bias with respect to the properties that are the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of the appraisal.
- I have made a general inspection of the properties that are the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this Certification, other than data research by my associate, Kirsten Patterson.
- I have performed no services, as an appraiser or in any other capacity, regarding the subject properties within the three-year period prior to accepting this assignment.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.



Stephen G. White, MAI
(State Certified General Real Estate
Appraiser No. AG013311)

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal has been based upon the following assumptions and limiting conditions:

1. No responsibility is assumed for the legal descriptions provided or for matters pertaining to legal or title considerations. Title to the properties is assumed to be good and marketable unless otherwise stated.
2. The properties are appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
5. All engineering studies, if applicable, are assumed to be correct. Any plot plans or other illustrative material in this report are included only to help the reader visualize the property.
6. It is assumed that there are no hidden or unapparent conditions of the properties, subsoil, or structures that render them more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
7. It is assumed that the properties are in full compliance with all applicable federal, state and local environmental regulations and laws unless the lack of compliance is stated, described and considered in the appraisal report.
8. It is assumed that the properties conform to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, consents and other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in the report are based.
10. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the properties described and that there are no encroachments or trespasses unless noted in the report.
11. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the properties, was not observed by the appraiser. However, the appraiser is not qualified to detect such substances. The presence of such substances may affect the value of the property, but the values estimated in this

ASSUMPTIONS AND LIMITING CONDITIONS, Continuing

appraisal are based on the assumption that there is no such material on or in the properties that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The client should retain an expert in this field, if desired.

12. Possession of this report, or a copy thereof, does not carry with it the right of publication, unless otherwise authorized. It is understood and agreed that this report will be utilized in the Official Statement, as required for the CFD bond issuance.
13. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the properties in question unless arrangements have previously been made.

EXTRAORDINARY ASSUMPTIONS

1. It has been assumed that there are no soil, geologic, seismic or environmental conditions that would negatively impact the existing or planned uses of the subject properties.
2. An estimate of the remaining costs and fees to get the subject lots from their as is condition to finished lot condition has been provided by the builder/property owner, and these estimates have been relied upon in this appraisal as being reasonably accurate and reliable; in addition, the valuations have reflected the proposed CFD bond financing such that the deductions of estimated remaining costs/fees do not include any amounts that are to be funded by the planned CFD bond proceeds.

PURPOSE AND INTENDED USE/USER OF THE APPRAISAL

The purpose of this appraisal is to estimate the market value of the as is condition of the taxable properties located within Community Facilities District No. 2019-86 (Tierra Del Sol) of Eastern Municipal Water District, reflecting the proposed CFD bond financing. It is intended that this Appraisal Report is to be used by the client, consisting of Eastern Municipal Water District, and other appropriate parties as part of the planned CFD bond issuance.

SCOPE OF THE APPRAISAL

It is the intent of this appraisal that all appropriate data considered pertinent in the valuation of the subject properties be collected, confirmed and reported in an Appraisal Report, in conformance with the Uniform Standards of Professional Appraisal Practice and the guidelines of the California Debt and Investment Advisory Commission. The scope of work has included an identification of the appraisal problem to be solved, which in this case is the market value of the taxable subject properties in as is condition as of the date of value of the appraisal; a general inspection of the subject properties and their surroundings; obtaining of pertinent property data on the subject properties, including review of various maps and documents relating to the properties and the home development; obtaining of comparable home sales and land sales from a variety of sources; analysis of all of the data to the value conclusions; and completion of the Appraisal Report.

DATE OF VALUE (EFFECTIVE DATE OF THE APPRAISAL)

The date of value for this appraisal or the effective date of the appraisal is September 22, 2023.

PROPERTY RIGHTS APPRAISED

This appraisal is of the fee simple interest in the subject properties, subject to the CFD special tax and assessment liens.

DEFINITION OF MARKET VALUE

The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress. (The Dictionary of Real Estate Appraisal, Seventh Edition)

DEFINITION OF FEE SIMPLE INTEREST (ESTATE)

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (The Dictionary of Real Estate Appraisal, Seventh Edition)

DEFINITION OF MASS APPRAISAL

The process of valuing a universe of properties as of a given date using standard methodology, employing common data, and allowing for statistical testing. (USPAP, 2020-2021 ed.) Often associated with real property tax assessment valuation. (The Dictionary of Real Estate Appraisal, Seventh Edition)

DEFINITION OF FINISHED LOT

This term describes the condition of residential lots in a single-family subdivision for detached homes in which the lots are fully improved and ready for homes to be built. This reflects that the lots have all development entitlements, infrastructure improvements completed, finish grading completed, all in-tract utilities extended to the property line of each lot, street improvements completed, common area improvements/landscaping (associated with the tract) completed, resource agency permits (if necessary), and all development fees paid, exclusive of building permit fees, in accordance with the conditions of approval of the specific tract map.

EXPOSURE TIME

This is defined as the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date or date of value of the appraisal. Assuming a reasonable marketing effort and at or reasonably near market value, I have concluded that the exposure time for the subject homes as well as the bulk of homes under construction and vacant lots would have been within 4 months for a sale to be negotiated, and with appropriate escrow time for the sales to close.

OWNERSHIP/SALES HISTORY

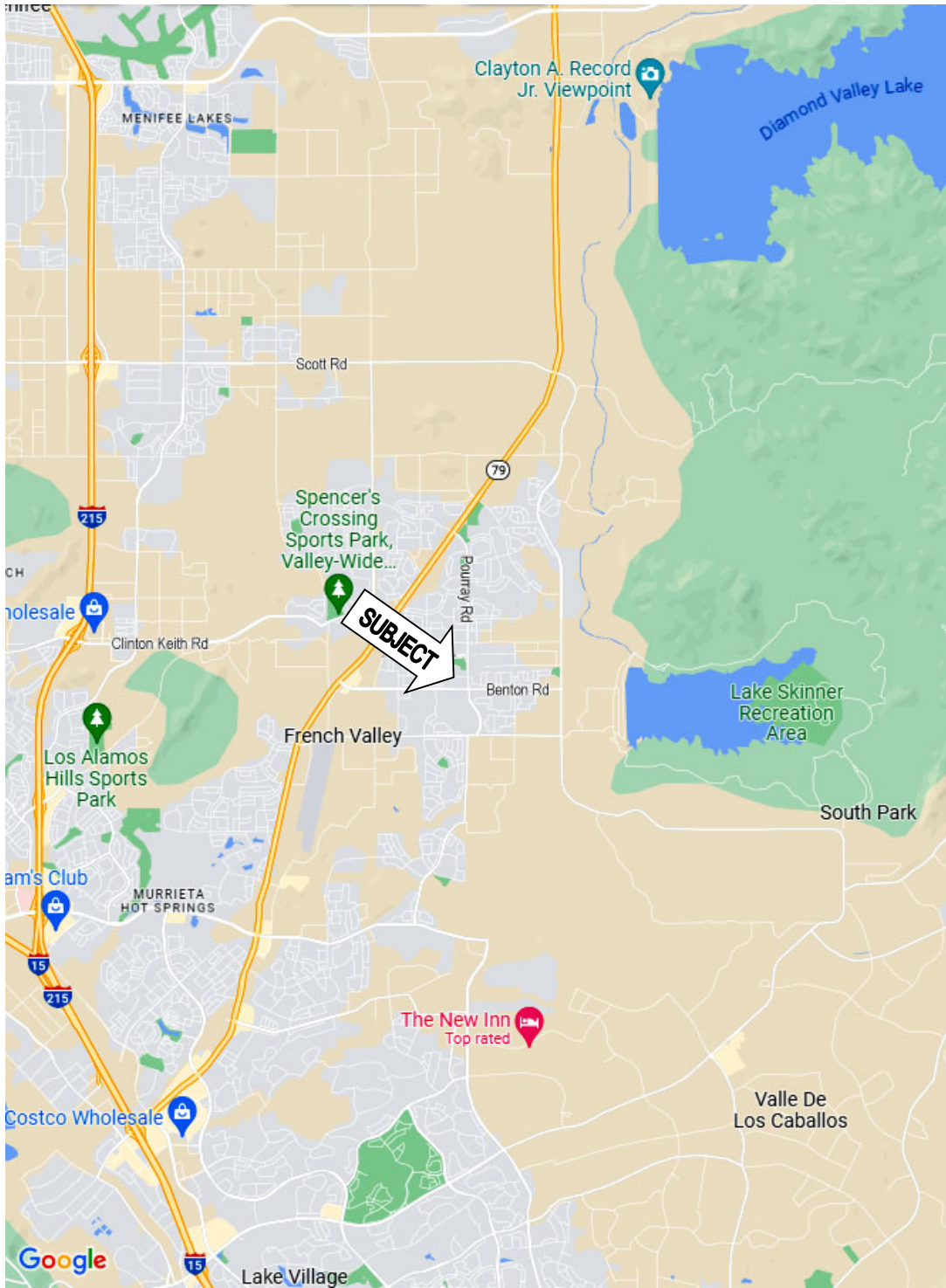
As of the September 22, 2023 date of value, individual homeowners owned 61 of these lots (Lots 6 to 25 & 57 to 97) and Meritage Homes of California, Inc. owned the remaining 78 lots (Lots 1 to 5, 26 to 56 & 98 to 139).

Meritage Homes of California, Inc. purchased the land for this neighborhood from Carl Joseph Rheingans, Trustee of the Helen C. Rheingans Family Bequest Trust dated December 17, 1990, by Grand Deed recorded February 1, 2021. The indicated price was \$6,000,000 or \$43,165 per lot for the land is as is condition at that time.

OWNERSHIP/SALES HISTORY, Continuing

The builder sales of the 61 completed homes to the homeowners closed and recorded from December 19, 2022 to September 20, 2023 at net sale prices ranging from \$478,632 to \$616,385.

LOCATION MAP



PROPERTY DATA

LOCATION

The neighborhood of Tierra Del Sol is located at the northwest corner of Benton Rd. and Pourroy Rd. in unincorporated Riverside County. The neighborhood has a mailing address of Winchester, though this area tends to be more commonly referred to as French Valley, with the Winchester area being farther to the north. This location is $\pm 1\frac{1}{2}$ miles to the east of Winchester Rd./Hwy. 79, with the City of Murrieta being along the west side of Winchester Rd. and the City of Temecula being nearby to the south.

GENERAL AREA DESCRIPTION

The subject neighborhood is located in what was formerly an outlying and rural area which has seen significant development over the past two decades including many new home communities and commercial centers to serve the growing population.

Across San Remo Dr. to the north is a community of 204 attached, 2-story townhomes called Casabella, built from 2005 through 2007 by KB Home. The homes range in size from 1,053 s.f. to 2,016 s.f. with recent sale prices in the mid to high \$400,000s and community amenities include pool, spa, clubhouse, BBQ areas and tot lot. Farther to the north is a flood control channel with perimeter walking trail and then the 14-acre Sheffield Park which includes two softball diamonds, four soccer fields and restrooms. To the north and west of Sheffield Park are several neighborhoods of single-family homes built from 2003 to 2006 on 7,200 s.f. minimum size lots and ranging in size from $\pm 2,100$ s.f. to $\pm 3,400$ s.f. with recent sale prices from \$465,000 to \$760,000.

Adjacent to the west and northwest, spanning both sides of the flood control channel as it curves southwesterly toward Benton Rd., is the community of Brindisi built by KB Home in 2005 and 2006. This tract of 149 homes comprises five floorplans ranging from 1,597 s.f. to 2,873 s.f. on 5,000 s.f. minimum size lots. Four resales in 2023 indicate a range of sale prices from \$550,000 to \$600,000. Extending farther to the west along the north side of Benton Rd. are various tracts of single-family homes built in the early 2000's and then several commercial centers closer to Winchester Rd./Highway 79.

Across Benton Rd. to the south of Tierra Del Sol is vacant land which slopes up to the south. This land includes a 16-acre EMWD water storage facility with two storage tanks at the top of the hill, and a 20-acre parcel with an approved tentative map for 34 single-family lots at 7,200 s.f. minimum. Farther to the southwest and southeast are various tracts of single-family homes built in the early 2000's. A block to the east and along the south side of Benton Rd. at Cady Rd. is Butterfield Park and French Valley Elementary School.

**COMMUNITY FACILITIES DISTRICT NO. 2019-86
(TIERRA DEL SOL)
OF EASTERN MUNICIPAL WATER DISTRICT**



GENERAL AREA DESCRIPTION, Continuing

To the east of the subject neighborhood, across Pourroy Rd. and extending to near Washington St., is the master-planned community of Adeline's Farm developed by Shea Homes from 2005 to 2011. The community comprises 371 single-family lots at 7,200 s.f. minimum built out in three product types with homes ranging from 2,651 s.f. to over 4,000 s.f. Sale prices in 2023 have ranged from \$590,850 to \$805,000. North of Adeline's Farm is the flood control channel and then an area of custom homes on large, estate-size lots with some equestrian and agricultural uses.

LEGAL DESCRIPTION

The taxable properties are described as Lots 1 to 139 of Tract Map No. 37715, in the County of Riverside, State of California, as per Map recorded in Book 451, Pages 95 to 103.

ASSESSOR DATA-2023/2024

The 139 lots comprise the following Assessor Parcel Nos.:

963-500-001 to 062
963-501-001 to 077

The current assessed values range from \$44,907 to \$150,000 for land and \$0 to \$552,736 for improvements, reflecting totals of \$44,907 to \$627,735 or an average of \$118,374. The tax rate area is 94-260 which had an indicated tax rate of 1.04059% for the 2022/2023 tax year, but the effective tax rate including special taxes for this CFD and other overlapping debt is an average of $\pm 1.7\%$ based on the appraised average values for the completed-closed homes.

NO. OF LOTS/LOT SIZES

This neighborhood comprises a total of 139 single-family lots, with a minimum size of 2,720 s.f. (40' by 68'); per Assessor data, the lot sizes range from 2,718 s.f. to 6,094 s.f., or an average of 3,189 s.f.

STREETS AND ACCESS

Primary access to the Tierra Del Sol neighborhood is by Benton Rd. and Pourroy Rd. Benton Rd. is a six-lane road that extends east-west through this area and along the south side of the subject neighborhood, connecting to Winchester Rd./Hwy. 79 just over a mile to the west. Pourroy Rd. is four-lane road that extends north-south through this area and along the east side of the neighborhood. It connects to Winchester Rd./Hwy. 79 just over 1½ miles to the north and connects to Murrieta Hot Springs Rd. about 2½ miles to the south. In addition, San Remo Dr. is a minor road along the north side of the subject neighborhood that extends west from Pourroy Rd. and terminates into another neighborhood adjacent to the west.

THIS MAP WAS PREPARED FOR ASSESSMENT PURPOSES ONLY. NO LIABILITY IS ASSUMED FOR THE ACCURACY OF THE DATA SHOWN. ASSESSOR'S PARCEL MAY NOT COMPLY WITH LOCAL LOT-SPLIT OR BUILDING SITE ORDINANCES.

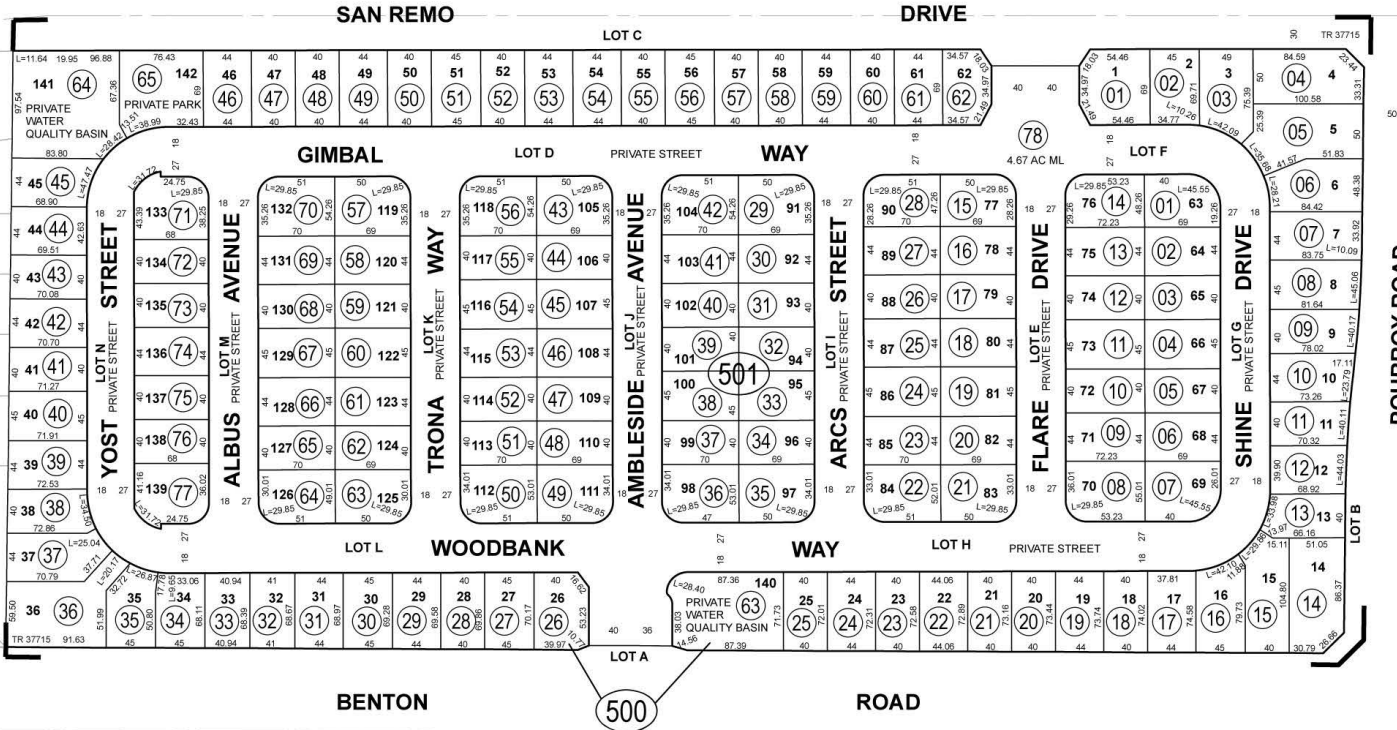
NE 1/4 OF SEC. 5, T.7S., R.2W.

T.R.A. 094-260

963-50

963-10

CITY OF MURRIETA



STREETS AND ACCESS, Continuing

Access into the subject neighborhood is by Ambleside Ave. off of Benton Rd. and by Flare Dr. off of San Remo Dr. The in-tract streets on which the subject lots front and have direct access include Gimbal Way, Woodbank Way, Yost St., Albus Ave., Trona Way, Ambleside Ave., Arcs St., Flare Dr. and Shine Dr.

UTILITIES

All utilities are available to the subject neighborhood, and were installed in the in-tract streets as part of the land development that has been completed. The utilities are provided as follows:

- Water & Sewer: Eastern Municipal Water District
- Electric: Southern California Edison
- Gas: Southern California Gas Company

ZONING/GENERAL PLAN/APPROVALS

The subject neighborhood has a zoning classification of SP Zone (Specific Plan) and General Plan Land Use Designation of High Density Residential as indicated by Winchester 1800 – Specific Plan No. 286, Amendment No. 7, adopted November 10, 2020 by the County of Riverside. The High Density Residential designation permits residential development at a density of 8.0 – 14.0 dwelling units per acre. The subject neighborhood is located within Planning Area 40 which comprises 16.6 acres and is approved for development with up to 145 detached single family homes (8.7 dwelling units per acre) on lots with a minimum size of 2,700 s.f., with minimum widths of 40’ and a minimum depth of 68’.

The Southwest Area Plan French Valley Airport Influence Area indicates that the subject neighborhood is located within Zone D (smaller westerly portion of neighborhood) and Zone E (larger easterly portion). These zones have minimal impact on residential development as indicated by the zoning and General Plan designations discussed above.

The more specific approval for the subject 139-lot neighborhood of homes is by the approved final tract map for Tract No. 37715 which recorded on December 16, 2021.

SCHOOL DISTRICT/SCHOOLS

The subject neighborhood is located in the Temecula Valley Unified School District. It is served by French Valley Elementary School (¼ mile to the southeast), Bella Vista Middle School (within 2 miles to the south), and Chaparral High School (±4 miles to the southwest).

TOPOGRAPHY/VIEWS

The subject neighborhood is fairly flat with a gradual slope down to the south and west, and with minimal sloping or terracing of the lots. Thus, there are no significant or atypical views from any of the lots within the neighborhood.

DRAINAGE/FLOOD HAZARD

Drainage is to the streets and in curbs and other facilities that have been constructed within the neighborhood, including two water quality basins located at the northwest corner of the neighborhood and a the southeast corner of Woodbank Way and Ambleside Ave. Per FEMA Flood Zone Panel No. 060245-2730G dated August 28, 2008, all of the subject neighborhood is located in Zone Code D which indicates areas with undetermined flood hazards, but areas which are out of the Special Flood Hazard Area (SFHA).

SOIL/GEOLOGIC/SEISMIC CONDITIONS

It is noted that the subject properties are not located in an Alquist-Priolo special studies zone. In addition, it is noted that this appraisal has assumed that all grading of the subject lots and overall neighborhood was properly completed, and any required mitigation for soil or geologic conditions was completed as part of the land development work for the tract. Thus, it is assumed that there are no soil, geologic or seismic conditions that would negatively impact the continued or planned use of the subject properties.

ENVIRONMENTAL CONDITIONS

It has been assumed that all necessary environmental permits and approvals have been obtained for development of the subject lots as completed and under construction. This assumes that all necessary mitigation measures have been completed, and that there are no other environmental conditions, including endangered species or significant habitat, watercourses or wetlands that would have a negative effect on the existing homes or homes under construction.

FIRE HAZARD ZONE

Per the County of Riverside, the fire hazard classification for the subject neighborhood is Very High, and the fire responsibility area is Local Responsibility Area. This is consistent with the CalFire Fire Hazard Severity Zone map, and that the subject neighborhood is not located in a State Responsibility Area. The builder indicates that no mitigation items were required for the subject neighborhood.

TITLE REPORT

A Preliminary Report covering all lots in the subject neighborhood that was prepared by First American Title Company and dated January 4, 2022 has been reviewed. Pertinent exceptions to title include the following:

- The Notice of Special Tax Lien for Community Facilities District 2019-86 recorded March 10, 2021.
- The Notice of Special Tax Lien for Valley-Wide Recreation and Park District, French Valley Community Facilities District Zone 22 (Tierra Del Sol) recorded September 1, 2021.
- The effect of Resolution 92-169, approved by the Board of Supervisors for the County of Riverside, approving the establishment of the Southwest Area Road and Bridge Benefit District and establishing the fee schedule for approved thoroughfares and bridges, recorded April 17, 1992.
- Terms and provisions contained in an agreement for mitigation of school facilities recorded November 22, 1995.
- Terms and provisions contained in a school facilities funding and mitigation agreement recorded February 17, 2021.
- Terms and provisions contained in a water quality management plan recorded April 27, 2021.
- Terms and provisions contained in an agreement for permanent residential water service recorded December 16, 2021.
- Various easements for avigation, public road, drainage, utilities, pipelines and incidental purposes.

It is noted that these noted exceptions are fairly typical for a residential subdivision such as the subject, and have been incorporated into the tract map so as to provide for the lots to be developable with homes that have been completed and are currently under construction.

RESIDENTIAL MARKET OVERVIEW

The summer home buying season proved challenging for home buyers with numerous headwinds including limited inventory, rising interest rates, and increasing costs due to inflation and uncertainty of recession. With most U.S. borrowers paying less than 4% interest on existing home mortgage loans, only sellers with a high incentive or need to sell are listing their properties for sale resulting in record low inventory. According to Redfin Corp., the number of homes on the market in the Southern California region in July was 41,866, the lowest number for a July in more than 10 years. With such low inventory, many listings are receiving multiple offers and selling at or above list price as buyers struggle with affordability.

Through the first half of 2023, new construction rose to meet this lack of supply, with housing starts up 5.9% nationwide from July 2022 according to the Census Bureau. And with interest rates and affordability a primary concern for many buyers, large homebuilders were able to offer incentives and mortgage rate buy-downs not available in the resale market. However, after rising for seven consecutive months, the National Association of Home Builders (NAHB)/Wells

RESIDENTIAL MARKET OVERVIEW, Continuing

Fargo Housing Market Index (HMI) reports that home builder sentiment dipped in August and again in September. According to the survey, builders reported they were offering more incentives again, with 32% of builders reporting that they cut home prices in September, compared to 25% in August. The average price cut was 6%. Builders cited the challenges of higher mortgage rates and reduced affordability as well as worker shortage, lack of buildable lots, materials shortage and distribution, and growing concern for insurance cost and availability. The NAHB/Wells Fargo survey also noted an interesting shift in homebuyer profile, with 42% of new single-family home buyers in 2023 being first-time home buyers as compared to the typical/historical norm of 27%.

Mortgage interest rates have played a significant role in the housing market over the past three years. According to data provided by Freddie Mac, mortgage interest rates began a steady rise in 2022 after reaching historic lows over the prior two years. In the first week of January 2022, the average rate on a 30-year fixed loan was 3.22% and a year later it had reached 6.48%. Rates have continued to fluctuate through 2023, rising above 7.0% in mid-August and hitting 7.31% for week ending September 28. Uncertainty surrounding inflation, the threat of recession and other factors have contributed to this variability in rates and likely will continue to do so as the Federal Reserve seeks to navigate the current economic climate.

Home sales figures for July 2023 released by CoreLogic show a significant decrease in sales volume and increase in median sale price across Southern California, year over year. A total of 13,993 new and existing home sales were recorded in July 2023 in Southern California, down from 16,320 in June and the lowest number of sales recorded in the month of July for at least 35 years. The median sale price in July for the six-county region was \$743,000, up from \$730,000 in June, representing a gain of \$73,000 year over year and within \$7,000 of the all-time high of \$750,000 recorded in April 2022. Buyers continue to face stiff competition over fewer listings, with the number of days on the market shrinking for active listings and price cuts much fewer than at the start of the year.

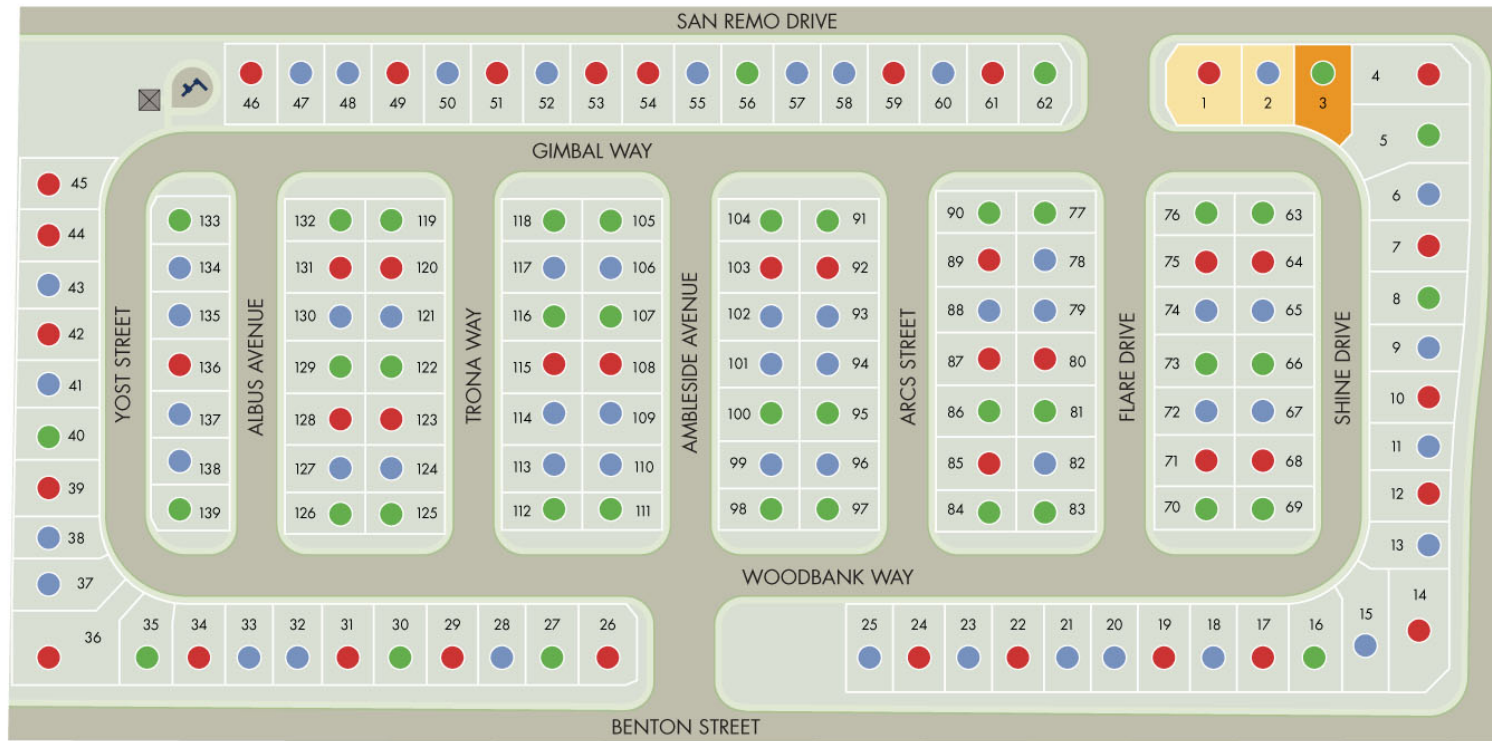
According to CoreLogic, a total of 2,641 sales were recorded of new and existing single family homes and condos in Riverside County in July 2023, down from 3,278 in June and down 22% year over year. The median sale price of \$551,250 was down 1.6% from \$560,000 in June, representing a 2% decrease from July 2022 and down from the all-time high of \$581,500 reported in August 2022. The median price for a resale single family home (excluding condos) was \$565,000 with 1,840 sales in July. And for new construction, a total of 341 newly built single-family homes, condos and townhouses sold to homebuyers across the County indicating a builder market share of 12.9% compared to 15.5% 12 months earlier. The median sale price of \$581,500 was up 1% from June but down 4% from July 2022.

RESIDENTIAL MARKET OVERVIEW, Continuing

In the unincorporated area of French Valley (which includes the subject location), according to Redfin, there were a total of 32 homes sold in August 2023, down from 38 in August 2022. The median price was \$681,500, up 4.0% year over year and on average it took a home 27 days on the market to sell, down from an average of 41 days in August 2022.

More specific to the subject Tierra Del Sol neighborhood, sales rates have been good with 61 closed builder sales from December 2022 through September 2023. In addition, as of September 24, 2023 there were 24 pending builder sales that were due to close from the latter part of September 2023 through mid-January 2024. .

Market experts have varying opinions as to future increases or decreases in home prices and interest rates in the coming year. While some cite population estimates and a coming wave of 26 to 34-year olds poised to enter the home-buying market, others note the rising costs of living and narrowing affordability. As the rest of 2023 unfolds, analysts will continue to keep an eye on issues of affordability, interest rates, inflation and recession concerns, and ongoing geopolitical uncertainties.



- Model Home
- Model Parking

- Residence One
- Residence Two
- Residence Three



This map depiction is not an official site plan, may not be drawn to scale, and may not reflect all easements and other matters affecting the community. Rather, it is an artist's conceptual rendering intended to give buyer a general overview of the contemplated community. This map depiction does not constitute a guaranty that the community will be built out or developed as shown and Meritage has not made, does not make, and specifically negates and disclaims any representations, warranties, and guarantees with respect to the map depiction, including, but not limited to, any depiction or description of any physical characteristics of the community or any improvements pertaining thereto, and any depiction or description of the real estate comprising or contemplated to comprise the community or of the units or amenities (such as pools, gazebos, hike and bike trails, exercise facilities, etc.) contemplated to be a part of the community. The party developing the community may make changes in the design and plan of the community (including, without limitation, the number of homes and/or the sizes of lots in the Community), and in any currently contemplated timing of the development of the community, and Meritage reserves the right to make any and all such changes.



DESCRIPTION OF HOMES/STATUS OF CONSTRUCTION

These 139 lots are being developed by Meritage Homes with a neighborhood of homes called Tierra Del Sol. As of the September 22, 2023 date of value, there were 61 completed-closed homes (closed builder sales); 20 completed-unclosed homes (including the 2 models); 8 homes under construction in the early stage with completed slabs; and 50 vacant lots.

(Note: The 61 completed-closed homes are Lots 6 to 25 & 57 to 97; the 20 completed-unclosed homes are Lots 1, 2, 53 to 56 & 98 to 111; the 8 homes under construction are Lots 49 to 52 & 117 to 120; and the 50 vacant lots are Lots 3 to 5, 26 to 48, 112 to 116 & 121 to 139.)

There are three floor plans and per marketing information these plans are described as follows:

Residence 1: 1,677 s.f., two-story, with 3 bedrooms, 2½ baths; first floor has great room-dining-kitchen, entry and half bath; second floor has primary suite with bath, 2 bedrooms, bath, and laundry; plus 2-bay garage and small covered front porch.

Residence 2: 1,861 s.f., two-story, with 4 bedrooms, 3 baths; first floor has great room-dining-kitchen, bedroom and bath; second floor has primary suite with bath, 2 bedrooms, bath, and laundry; plus 2-bay garage and small covered side porch.

Residence 3: 2,300 s.f., two-story, with 5 bedrooms, 3 baths; first floor has great room-dining-kitchen, bedroom, bath and entry; second floor has primary suite with bath, 3 bedrooms, bath, loft and laundry; plus 2-bay garage and small covered front porch.

Per building permit data, the 81 completed homes have sizes of 1,677 s.f., 1,861 s.f. and 2,300 s.f., with average sizes of 1,925 s.f. for the 61 completed-closed homes and 1,897 s.f. for the 20 completed-unclosed homes.

The HOA fees are \$73 per month, which includes maintenance of the tot lot/small park (at the northwest corner of the neighborhood that includes play equipment, gazebo and covered patio) and the two water quality basins.

HIGHEST AND BEST USE

The term highest and best use is defined as the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Furthermore, the highest and best use of land or a site as though vacant is defined as among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination.

HIGHEST AND BEST USE, Continuing

In terms of legal permissibility, single-family residential development is permitted by the zoning/General Plan designations, and by the recorded final tract map for the subject neighborhood. In terms of physical possibility, the lots within the subject neighborhood were graded to fairly flat buildable pads, and with all needed infrastructure of streets and utilities completed for the home construction.

In terms of the financial feasibility, as previously discussed in the Residential Market Overview and as evident by the sales activity in the subject neighborhood, the current residential market conditions evidence reasonably good demand for new and resale homes in this general area, with prices stable to slightly increasing in recent months. In terms of the maximum productivity, this is represented by the homes that have been and are being built on the subject lots, with an appropriate array of home sizes, floor plans and pricing.

In summary, the highest and best use is concluded to be as improved for the completed homes and as planned for the homes under construction and vacant lots.

VALUATION

METHOD OF ANALYSIS

The analysis of the completed-closed homes is of the aggregate value on a mass appraisal basis, and by means of the Sales Comparison Approach. Primary consideration is given to the builder sales of the subject homes, and secondary consideration to recent sales of other similar homes in the general area. For the completed-unclosed homes, the analysis considers a discount due to the bulk ownership by the builder and also reflecting holding/sales costs, minor finishing costs and profit in order to sell off the homes.

For the homes under construction, a simplified Cost Approach is used in which the value is based on an estimate of construction costs expended plus the estimated value of the vacant lot. The analysis of the vacant lots is based on the Sales Comparison Approach, considering recent sales of residential land or bulk single-family lots in the general area. The analysis is of the finished lot condition, and then deducting remaining costs and fees to get to this condition, resulting in a value for the as is near-finished condition of the lots.

ANALYSIS OF COMPLETED-CLOSED HOMES

Builder Sales of Subject Homes: The builder sales of the 61 completed homes closed from December 19, 2022 through September 20, 2023 at net sale prices ranging from \$478,632 to \$616,385, or an average of \$536,366 for the average home size of 1,925 s.f., or \$278.63 per s.f. It is noted that the net sale price includes the base price plus lot premiums and options, less or net of sales and cash incentives. The sales incentives ranged from \$7,290 to \$85,440 or an average of \$29,069 and the cash incentives ranged from \$0 to \$35,700 or an average of \$18,170. For the cash incentives, as of mid-September 2023 the promotion was \$23,000 in incentives for using the builder's in-house lender.

The sale dates, or when the sales were negotiated (not the closing dates), ranged from May 18, 2022 through August 5, 2023, with the closing dates previously noted from December 2022 through September 2023. Based on the sale dates, the changes in average pricing over this period of time, allocated to the sales in different time periods, are shown in the following table:

No. of Sales	Time Frame (Sale Dates)	Avg. Net Price	Avg. Size (s.f.)	Price/s.f.	Avg. Total Incentives
61	May'22-Aug '23	\$536,366	1,925	\$278.63	\$47,239
28	May-Dec'22	\$531,425	1,927	\$275.78	\$55,751
22	Jan-Mar'23	\$538,028	1,965	\$273.81	\$42,782
11	Apr-Aug'23	\$545,616	1,840	\$296.53	\$34,486

ANALYSIS OF COMPLETED-CLOSED HOMES, Continuing

Considering the differences in average size, the average net price dropped slightly from 2022 into the first quarter of 2023, though the incentives also decreased during that time frame. However, the more recently negotiated sales indicate a significant net price increase when considering the much smaller average size of 1,840 s.f. as well as the lower amount of incentives.

Due to the dates of sale, the indication at \$536,366 supports a firm lower limit as an average value for the 61 completed-closed homes at current date. In addition, the indication at \$545,616 also supports a firm lower limit for the 61 homes due to the much smaller average size of 1,840 s.f., and conversely due to the smaller size the indication at \$296.53 per s.f. supports a firm upper limit, as follows:

$$1,925 \text{ s.f. @ } \$296.53/\text{s.f.} = \$570,820$$

As of September 22, 2023 there were 24 pending sales which indicated an average net sale price of \$556,303 for the average home size of 1,894 s.f., indicating \$293.72 per s.f., and with an average total concessions amount of \$32,795. These pending sales took place from June 12 through September 17, 2023, and were scheduled to close from September 26, 2023 through January 15, 2024. An allocation of the pricing by sale date is shown in the following table:

<u>No. of Sales</u>	<u>Time Frame (Sale Dates)</u>	<u>Avg. Net Price</u>	<u>Avg. Size (s.f.)</u>	<u>Price/s.f.</u>	<u>Avg. Total Incentives</u>
24	Jun-Sep'23	\$556,303	1,894	\$293.72	\$32,795
9	Jun-Jul'23	\$551,749	1,828	\$301.83	\$21,917
15	Aug-Sep'23	\$559,035	1,934	\$289.06	\$35,723

It is noted that the fairly minor difference in average pricing for the more significant differential in average home size would tend to indicate a softening in pricing for the more recently negotiated sales, and also reflecting the higher amount of incentives. Considering the 61 completed-sold homes at the average size of 1,925 s.f., the indication from the pending sales at \$551,749 would tend to support a firm lower limit due to the much smaller average size of 1,828 s.f., and the indication at \$559,035 would support a close upper limit due to the slightly larger size of 1,934 s.f.

Sales of Homes from Nearby Neighborhoods: Recent sales of homes that are similar in size to the subject homes and located within a mile of Tierra Del Sol in the French Valley/Winchester area have been considered, and are shown in the following table:

ANALYSIS OF COMPLETED-CLOSED HOMES, Continuing

<u>No.</u>	<u>Address</u>	<u>COE Date</u>	<u>Net Price</u>	<u>Home Size</u>	<u>BR/BA</u>	<u>Lot Size</u>	<u>Year Built</u>	<u>Notes</u>
1	31664 Loire Dr.	6/1/23	\$630,000	2,063	4/3	7,841	2001	Some updates/upgrades
2	36366 Pistachio Dr.	6/13/23	\$601,000	2,050	3/2.5	7,841	2010	Upgraded interior and backyard
3	31549 Anzio Dr.	6/16/23	\$572,000	1,864	3/2	7,841	2006	Upgraded
4	31333 Paris Ct.	6/26/23	\$615,000	1,850	4/2	7,405	2000	Updated/upgraded
5	31379 Rivera St.	6/27/23	\$578,500	1,850	4/2	6,970	1999	Remodeled kitchen; pool/spa
6	31619 Silex Ct.	6/29/23	\$665,000	1,951	5/2	10,890	2003	Well upgraded; pool/spa
7	31715 Crimson Dr.	7/19/23	\$575,000	1,811	3/2	8,276	2002	Some upgrades
8	36857 Pomerol Loop	8/10/23	\$656,000	2,069	5/2	7,405	2003	Pool/spa; outdoor kitchen
9	36781 Blanc Ct.	8/14/23	\$650,000	2,069	4/2	7,405	2003	Upgraded backyard; pool/spa
10	31298 Van Ruysdael Ln.	8/23/23	\$599,900	1,749	4/2	7,405	1998	Well upgraded interior; min. landsc.
11	31730 McCartney Dr.	9/21/23	<u>\$642,000</u>	<u>2,079</u>	3/3.5	7,405	2006	Well upgraded; outdoor kitchen
		Avg.	\$616,764	1,946				

It is noted that these are net sale prices, net of the concessions for 3 of the sales that ranged from \$1,500 to \$15,000, or an average of \$9,333. In comparison to the subject homes, the locations are similar; the average home size of 1,946 s.f. is slightly larger; the ages of the homes mostly from 13 to 25 years is far inferior; the single story floor plan of all sales is more desirable; the lots are much larger; the significant yard improvements of some of the sales is a superior factor; and most of the sales have lower special assessments resulting in lower effective tax rates. Overall, it is concluded that the superior factors of these sales are far more than offsetting to the inferior factor of age, resulting in a far upper limit indication of average value for the subject homes at \$616,764.

Sales of Homes from BellaSol: The BellaSol neighborhood is located at the southeasterly corner of Winchester Rd. and Skyview Rd. in the French Valley/Winchester area, ±1¼ miles north/northwest of Tierra Del Sol. It is a gated neighborhood of detached homes in a condominium plan, with amenities including pool/spa and tot lot. Recent sales of these homes are shown as follows:

ANALYSIS OF COMPLETED-CLOSED HOMES, Continuing

<u>No.</u>	<u>Address</u>	<u>COE Date</u>	<u>Net Price</u>	<u>Home Size</u>	<u>BR/BA</u>	<u>Lot Size</u>	<u>Year Built</u>	<u>Notes</u>
1	35326 Marabella Ct.	4/24/23	\$557,000	1,925	3/3	3,558	2018	Well upgraded
2	31550 Alicante Loop	5/3/23	\$524,000	1,775	3/2.5	2,169	2018	Typical builder finishes
3	31502 Alicante Loop	5/12/23	\$510,000	1,775	3/2.5	2,484	2017	Some upgrades; corner unit
4	35318 Marabella Ct.	Escrow	<u>±\$531,000</u>	<u>1,775</u>	3/2.5	2,801	2018	Upgraded
		Avg.	±\$530,500	1,813				

These are also net sale prices, with one of the sales indicating concessions of \$5,000. In comparison to the subject homes, the location is similar; the average home size of 1,813 s.f. is much smaller; the age is inferior; the 2-story floor plans of all sales is similar; the amenities and being a gated neighborhood is superior; the lots are similar in size though inferior as in a condominium plan and not separate lots; and the effective tax rates are similar. Overall, it is concluded that the inferior factors of these sales, and primarily the much smaller average home size, are more than offsetting to the superior factors, resulting in a firm lower limit indication of average value for the subject homes at \$530,500.

Other New-Home Builder Pricing: Lastly, builder base pricing has been considered from other active new-home projects with fairly similar size homes to the subject and on small lots, located in Murrieta and Temecula. These are shown as follows:

<u>Project Name/ Location (Builder)</u>	<u>Min./Typ. Lot Size (SF)</u>	<u>Floor Plan (SF)</u>	<u>Base Price</u>	<u>Price/SF</u>	<u>CFD</u>
Oasis at Willow Springs, Murrieta (Lennar Homes)	2,760	1,577	\$532,980	\$337.97	Yes
		1,870	\$556,790	\$297.75	
		2,025	\$560,890	\$276.98	
Reflections at Willow Springs, Murrieta (Lennar Homes)	3,174	1,937	\$547,965	\$282.89	Yes
		2,064	\$591,195	\$286.43	
		2,253	\$602,480	\$267.41	
Medley at Sommers Bend, Temecula (Woodside Homes)	3,600	1,837	\$615,000	\$334.78	Yes
		2,170	\$665,990	\$306.91	
		2,442	\$701,000	\$287.06	
Valiant at Heirloom Farms, Temecula (Meritage Homes)	±2,640	1,731	\$604,000	\$348.93	Yes
		1,883	\$624,000	\$331.39	
		2,155	\$664,000	\$308.12	

The Willow Springs project is superior as a larger master-planned community with amenities including recreation center, pool, spa, park and tot lot. However, the indicated base pricing from these two product types is reasonably supportive of the \$550,000's as average final pricing for the subject homes. The Sommers Bend project is also a superior master-planned community, as well as the superior

ANALYSIS OF COMPLETED-CLOSED HOMES, Continuing

Temecula location and larger lots. Similarly, the Heirloom Farms project is a larger community with superior amenities, and superior Temecula location in the core area adjacent to the Harveston community. Thus, the pricing in the \$600,000's is of general interest, but far superior when considering average pricing for the subject homes.

Conclusion: In summary, the indications of average value for the subject homes are firm lower limits from \$530,500 to \$551,749; a close upper limit at \$559,035; a firm upper limit at \$570,820; and a far upper limit at \$616,764. The conclusion is an average value of \$550,000 for the 61 completed-closed homes.

ANALYSIS OF COMPLETED-UNCLOSED HOMES

These are the 2 model homes plus 18 production homes with an average size of 1,897 s.f., which is slightly smaller than the average of 1,925 s.f. for the completed-closed homes. It is noted that there were pending sales on all 18 of the production homes, with 13 of the sales scheduled to close from September 26 through October 1, and the other 5 sales scheduled to close from mid to late October.

Considering the slightly smaller average home size, the initial conclusion is slightly lower than for the completed-closed homes, or an average of \$540,000. Then, a discount of 20% is made due to being part of the bulk ownership by the builder and reflecting minor sell-off time, holding/sales costs, finishing costs and profit. This results in \$540,000 times 80%, which is rounded to \$430,000 for the 20 completed-unclosed homes.

ANALYSIS OF HOMES UNDER CONSTRUCTION

For the 8 homes that were in the early stage of construction, these are allocated as land value only. As discussed in the following Analysis of Vacant Lots, this is an amount of \$220,000 (if in finished condition) less \$37,113 (costs to get to finished condition), resulting in an amount of \$182,887 which is rounded to \$185,000 for these 8 homes.

ANALYSIS OF VACANT LOTS

This analysis is pertinent to the vacant lots, as well as to the land value allocated to the homes under construction. The pertinent land sales data is shown in the following table, with discussion and analysis of the data thereafter.

ANALYSIS OF VACANT LOTS, Continuing

<u>No.</u>	<u>Location/APN</u>	<u>Rec. Date</u>	<u>No. Lots Min Size</u>	<u>Price/Lot Price/Fin Lot</u>	<u>Remarks</u>
1	Subject Property	2/1/21	139 ±2,800	\$43,165 \$147,747	Subject Tierra Del Sol neighborhood; land was in unimproved condition; proforma average average home pricing was originally \$440,257
2	SWC Old Newport Rd. & Briggs Rd., Menifee 364-190-004,005	12/3/21	305 Cluster- 6,500	n/a \$181,000- \$213,000	Rockport Ranch project; land in unimproved condition with entitlements; to be gated project, mix of homes, many amenities
3	W/S Leon Rd., Simpson Rd. to Olive Ave., Winchester 461-150-006	2/15/22	420 2,900 & 3,500	\$19,048 \$175,000	La Pradera project; vacant, flat land in unimproved condition with recorded tract map
4	SEC Barnett Rd. & McLaughlin Rd., Menifee 331-090-008	4/7/22	126 ±2,700	\$61,905 \$160,000	The Village project; vacant, flat land in unimproved condition with approved Condo map
5	NW/S Winchester Rd. NE/O Jean Nicolas Rd., French Valley 480-160-023	8/4/23	154 Det. Condo	\$48,701 \$213,000	Vacant, gently sloping land; planned for a detached condo project with 1,610-2,577 s.f. homes
6	W/S Ynez Rd. to E/S Date St., N/O 15 Freeway, Temecula 916-400-051, 052 ,053 & 070	8/29/23	237 Det. Condo	\$156,118 \$268,257	Prado at Harveston project; vacant land planned for detached condo/cluster-lot project with 1,410-1,857 s.f. homes

Data No. 1 is the sale of the land to Meritage Homes for the subject neighborhood. The sale was negotiated in late 2018/early 2019 and closed in February 2021 at the price of \$6,000,000 or \$43,165 per lot for the land in unimproved condition, with finished lots estimated at \$147,747 per lot. The proforma average home pricing at that time was \$440,257, indicating a finished lot ratio of 34% (finished lot price divided by average home price). Considering a substantial upward adjustment for date of sale/market conditions and a further upward adjustment for the superior current near-finished lot condition (less time and risk than for land in unimproved condition), the price of \$147,747 per finished lot supports a far lower limit indication of value for the subject lots at current date.

Data No. 2 is located at the southwest corner of Old Newport Rd. and Briggs Rd., at the east side of Menifee. This was a 79-acre site of unimproved land, a former dairy, that was referred to as the Rockport Ranch project and entitled for 305 lots including a mix of cluster, 5,000 s.f., 6,000 s.f. and 6,500 s.f. minimums. The project was to be gated and include amenities of two lakes, private pool, park and open space, and include a CFD. The sale to Lennar Homes was negotiated in the first quarter of 2020 and closed in December 2021.

The sale price reflects finished lot prices of \$181,000 for the cluster lots, \$205,000 for the 5,000 s.f., \$208,000 for the 6,000 s.f. and \$213,000 for the 6,500 s.f. lots. The homes on the cluster lots were to range from 1,600 s.f. to 2,000 s.f. with targeted average pricing of \$458,000 at time of land sale negotiation; the homes on the 5,000 s.f. lots were to range from 1,800 s.f. to 2,600 s.f. with targeted average pricing of

ANALYSIS OF VACANT LOTS, Continuing

\$508,000; the homes on the 6,000 s.f. lots were to range from 1,950 s.f. to 3,150 s.f. with targeted average pricing of \$537,000; and the homes on the 6,500 s.f. lots were to range from 2,300 s.f. to 4,100 s.f. with targeted average pricing of \$589,000.

In comparison to the subject, the date of sale/market conditions is inferior; the location is considered to be inferior; the cluster lots are slightly smaller in size; the much larger bulk size of 305 lots is slightly inferior; the unimproved physical condition is inferior due to the time and risk to get to finished lot/buildable condition; the project is superior considering the much greater amenities and lot premiums from lake frontage; and the planned homes on the cluster lots are smaller on average than the subject homes, with probable lower potential pricing at current date. Overall, upward adjustments for the various inferior factors are partially offset by a downward adjustment for the superior project amenities, resulting in a far lower limit indication of value for the subject at \$181,000 per finished lot represented by the allocation to the cluster lots.

Data No. 3 is located along the west side of Leon Rd., extending south from Simpson Rd. to Olive Ave., toward the northerly end of the unincorporated Winchester area. Simpson Rd. and Leon Rd. were two-lane paved streets that will require significant widening, and Olive Ave. was unimproved at time of sale. This was the sale of vacant unimproved land with a recorded tract map for 420 lots, of which 220 lots were 2,900 s.f. minimum size and 200 lots were 3,500 s.f. minimum size, and with existing and planned CFD's. The sale to a holding company for D.R. Horton closed in February 2022 at the price of \$8,000,000 or \$19,048 per lot for the as is condition, with finished lots estimated at \$175,000. The planned size and pricing of homes was not available.

In comparison to the subject, the date of sale/market conditions is slightly inferior; the location is inferior; the minimum lot sizes range from similar to slightly superior; the much larger bulk size of 420 lots is inferior; the unimproved physical condition at time of sale was inferior. Overall, upward adjustments for the various inferior factors are minimally offset by the slightly larger lot sizes for part of the lots, resulting in a far lower limit indication of value for the subject at \$175,000 per finished lot.

Data No. 4 is located at the southeast corner of Barnett Rd. and (future) McLaughlin Rd., extending east to the 215 Freeway in Menifee. This was the sale of vacant and unimproved land that was fairly flat, rectangular in shape, and with approved tentative tract map, condominium plan and preliminary improvement plans for a 126-unit project of detached condominium homes to be called The Village. The sale to Century Communities was negotiated at some point prior to November 2021 and recorded in April 2022 at the cash price of \$7,800,000 or \$61,905 per lot for the as is condition, with finished lots estimated at \$160,000. The homes were targeted to be ±2,000 s.f. to 2,450 s.f. in size.

ANALYSIS OF VACANT LOTS, Continuing

In comparison to the subject, the date of sale/market conditions is slightly inferior; the location is inferior; the smaller minimum lot size of the condominium plan is inferior; the unimproved physical condition at time of sale was inferior. Overall, upward adjustments for the various inferior factors results in a far lower limit indication of value for the subject at \$160,000 per finished lot.

Data No. 5 is located on the northwest side of Winchester Rd./Hwy. 79, nearby to the northeast of Jean Nicolas Rd., in the unincorporated French Valley area and about 1½ miles to the north/northwest of the subject neighborhood. This was the sale of vacant, unimproved and gently sloping land with entitlements for a project of 154 detached homes in a condominium plan. There are to be 90 homes ranging in size from 1,610 s.f. to 2,027 s.f. and 64 homes ranging in size from 1,862 s.f. to 2,577 s.f. The sale to Lennar Homes was negotiated in early 2022 and closed in August 2023 at the cash price of \$7,500,000 or \$48,701 per lot, with finished lots estimated at \$213,000 per lot.

In comparison to the subject, the date of sale/market conditions is slightly inferior; the location is fairly similar; the smaller minimum lot size of the condominium plan is slightly inferior; the unimproved physical condition of the land at time of sale was inferior. Overall, upward adjustments for the inferior factors results in a firm lower limit indication of value for the subject at \$213,000 per finished lot.

Data No. 6 is located on the west side of Ynez Rd., extending west to Date St. and south from the future extension of Equity Dr., and nearby to the north of the 15 Freeway in Temecula. This location is in the Residential Overlay area of the master-planned community of Harveston. The property consists of vacant, fairly flat and unimproved land with entitlements for a project to be called Prado at Harveston, consisting of 237 detached homes in a condominium plan. This is to be a gated neighborhood with significant amenities, with homes to range in size from 1,410 s.f. to 1,857 s.f., and proforma average pricing of \$611,243. The sale to Meritage Homes was negotiated in March/April 2023 and closed in August 2023 at the price of \$37,000,000 or \$156,118 per lot, with finished lots estimated at \$268,257 per lot.

In comparison to the subject, the date of sale/market conditions is fairly similar; the location in the core area of Temecula is far superior as evidenced by the projected higher pricing for smaller homes than on the subject lots; the smaller minimum lot size of the condominium plan is slightly inferior; the unimproved physical condition of the land at time of sale was inferior. It is also noted that there was strong demand for this deal with 10 or more offers, resulting in the price being bid up, and the buyer likely motivated by having their nearby active Heirloom Farms project. Overall, a significant downward adjustment for the superior location is partially offset by upward adjustments for the inferior minimum lot size and physical condition, resulting in a firm upper limit indication of value for the subject at \$268,257 per lot.

ANALYSIS OF VACANT LOTS, Continuing

In summary, on a finished lot basis, the analysis of the data supports far lower limit indications of value from \$147,747 to \$181,000; a closer but still firm lower limit indication at \$213,000; and a firm upper limit at \$268,257. Regarding the factor of date of sale/market conditions, it is noted that the residential land market softened in the last half of 2022 and into the first quarter of 2023, with decreasing land prices. This was primarily due to the increase in the interest rates as well as the increasing costs of land development and home construction. However, broker input indicates that the land market has since strengthened significantly and current values are now at or over the prior peak levels.

An alternative analysis is by the finished lot ratio, which is calculated by the finished lot price divided by the projected or proforma average home price. As previously indicated, Data No. 1 indicated a ratio of 34%, Data No. 2 indicated a ratio of 40% for the cluster lots, and Data No. 6 indicated a ratio of 44%. Considering a finished lot ratio in the range of 39-41%, and applied to an average home price of \$550,000 (average value previously concluded for the completed-closed homes), the resulting indication is as follows:

$$\$550,000 \times .39-.41 = \$214,500 \text{ to } \$225,500/\text{finished lot}$$

The conclusion for the subject lots is \$220,000 per lot if in finished condition.

Then, a deduction is made for the remaining costs and fees to get the lots to a fully finished condition. Per builder information provided to the appraiser, the remaining total costs are \$2,152,551. This amount includes items of staking, grading, utilities, storm drain-culverts, concrete/paving, walls, landscaping, contingency and impact fees; but not including \$731,321 in EMWD fees or \$226,351 in School fees which are to be funded by the CFD bond proceeds. This total cost amount is allocated to the 58 lots that are either vacant or with homes under construction, indicating \$37,113 per lot. Thus, relative to the 50 vacant lots, this indicates a total deduction of \$1,855,650 which results in the following:

50 vacant lots, if in finished condition @ \$220,000/lot =	\$11,000,000
Less Costs to Complete:	<u>- 1,855,650</u>
Value, As Is Condition:	\$ 9,144,350
	Rd. \$ 9,140,000

CONCLUSION OF VALUE

Based on the foregoing, the total value indication for the subject Tierra Del Sol neighborhood in its as is condition, is calculated as follows:

CONCLUSION OF VALUE, Continuing

61 completed-closed homes @ \$550,000 =	\$33,550,000
20 completed-unclosed homes @ \$430,000 =	\$ 8,600,000
8 homes, early stage of construction @ \$185,000 =	\$ 1,480,000
50 vacant lots =	<u>\$ 9,140,000</u>
Value Indication, As Is Condition:	\$52,770,000

Thus, as the result of this analysis, I have arrived at the following overall conclusion of market value for the as is condition of the subject Tierra Del Sol neighborhood, subject to the Assumptions and Limiting Conditions, and as of September 22, 2023:

\$52,770,000

(FIFTY-TWO MILLION SEVEN HUNDRED SEVENTY THOUSAND DOLLARS)

ADDENDA

**QUALIFICATIONS
OF
STEPHEN G. WHITE, MAI**

PROFESSIONAL EXPERIENCE

Real Estate Appraiser since 1976.

1983 through current date: Self-employed; office located at 1801 Lexington Dr., Fullerton, CA 92835 (Phone: 714-738-1595)

1976-1982: Employed by Cedric A. White, Jr., MAI, independent appraiser located in Anaheim.

Real estate appraisals have been completed on most types of properties for purposes of fair market value, leased fee value, leasehold value, easement value, partial acquisitions and severance damages.

PROFESSIONAL ORGANIZATIONS

Designated Member, Appraisal Institute; MAI designation obtained 1985

Affiliate Member, Pacific West Association of Realtors

LICENSES

Licensed by the State of California as a Certified General Real Estate Appraiser; BRE ID No. AG013311; valid through September 22, 2024.

EDUCATION

B.A. Economics & Business, Westmont College, Santa Barbara (1976)

Appraisal Institute Courses:

Basic Appraisal Principles, Methods and Techniques

Capitalization Theory and Techniques

Urban Properties

Litigation Valuation

Standards of Professional Appraisal Practice

Numerous seminars and continuing education on various appraisal subjects, including valuation of easements and leased fee interests, litigation, the money market and its impact on real estate, and standards of professional appraisal practice.

COURT/TESTIMONY EXPERIENCE

Qualified as an expert witness in the Superior Courts of Orange, Los Angeles, Riverside and San Bernardino Counties; also for the Assessment Appeals Board of Orange and Los Angeles Counties.

TYPES OF PROPERTY APPRAISED

Residential: vacant lots, acreage and subdivisions; single family residences, condominiums, townhomes and apartment complexes.

Commercial: vacant lots/acreage; office buildings, retail/shopping centers, restaurants, hotels/motels.

Industrial: vacant lots and acreage; warehouses, manufacturing buildings, R&D buildings, industrial parks, mini-warehouses.

Special Purpose: mobilehome parks, churches, automobile agencies, medical buildings, convalescent hospitals, easements, leased fee and leasehold interests.

QUALIFICATIONS, Page 2

CLIENT LIST

Corporations:

Aera Energy
British Pacific Properties
BSI Consultants
Crown Central Petroleum
Firestone Building Materials
Foodmaker Realty Corp.
Greyhound Lines
Holiday Rambler Corp.
International Baking Co.
Johnson Controls
Kampgrounds of America
Knowlwood Restaurants
Kroger Company

La Habra Products, Inc.
MCP Foods
Orangeland RV Park
Pacific Scientific
Penhall International
Pic 'N Save Stores
Sargent-Fletcher Co.
Shell-Western E&P
Southern Distributors Corp.
Southern California Edison
The Home Depot
Tooley and Company
Wastewater Disposal Co.

Developers:

Brighton Homes
BRIDGE Housing
Brookfield
Citation Builders
Davison-Ferguson Investment Devel.
D.T. Smith Homes
Irvine Company

Kathryn Thompson Developers
Mission Viejo Co.
Premier Homes
Presley Homes
Rockefeller & Associates
Taylor Woodrow Homes
Unocal Land & Development

Law Firms:

Atkinson, Andelson, Loya, Ruud & Romo
Baldikoski, Klotz & Dragonette
Best, Best & Krieger LLP
Bowie, Arneson, Wiles & Giannone
Bye, Hatcher & Piggott
Callahan, McCune & Willis
Cooksey, Coleman & Howard
Dawson & Dawson
Hamilton & Samuels
Horgan, Rosen, Beckham & Coren
Kirkland & Ellis
Latham & Watkins LLP
McKee, Charles C.
Mosich, Nicholas J.
Long, David M.
Nossaman, Guthner, Knox & Elliott, LLP

Oliver, Barr & Vose
Ollestad, Freedman & Taylor
Palmieri, Tyler, Wiener, Wilhelm &
Waldron LLP
Paul, Hastings, Jonofsky &
Walker LLP
Piggott, George B.
Pothier, Rose
Rosenthal & Zimmerman
Ross Wersching & Wolcott LLP
Rutan & Tucker, LLP
Sikora & Price, Inc.
Smith & Politiski
Williams, Gerold G.
Woodruff, Spradlin & Smart, P.C.
Yates, Sealy M.

Financial Institutions:

Ahmanson Trust Company
Barclays Bank
Chino Valley Bank
Continental Bank
First Interstate Mortgage
First Niagara Bank
First Wisconsin Bank

NorthMarq
Pacific Western Bank
San Clemente Savings & Loan
Security Pacific Bank
Sunwest Bank
United Calif. Savings Bank
Washington Square Capital

QUALIFICATIONS, Page 3

Cities:

Anaheim	Laguna Beach	San Diego
Baldwin Park	Lake Elsinore	San Marino
Buena Park	Long Beach	Santa Ana
City of Industry	Mission Viejo	Santa Fe Springs
Cypress	Orange	Santee
Dana Point	Palm Desert	Seal Beach
Duarte	Placentia	Stanton
Fontana	Rialto	Temecula
Fullerton	Riverside	Tustin
La Habra	San Clemente	Yorba Linda

Counties:

County of Orange	County of Riverside
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Other Governmental:

Agua Mansa Industrial Growth Association	Lee Lake Water District
Eastern Municipal Water District	Metropolitan Water District
El Toro Water District	Orange County Water District
Federal Deposit Insurance Corporation (FDIC)	Trabuco Canyon Water District
Kern County Employees Retirement Association	U.S. Postal Service

School Districts:

Alvord Unified	Irvine Unified	Riverside Unified
Anaheim Union High	Jurupa Unified	Romoland
Anaheim Elementary	Lake Elsinore Unified	Saddleback Valley Unified
Banning Unified	Menifee Union	San Jacinto Unified
Beaumont Unified	Moreno Valley Unified	San Marcos Unified
Capistrano Unified	Murrieta Valley Unified	Santa Ana Unified
Castaic Union	Newhall	Saugus Union
Cypress	Newport-Mesa Unified	Sulphur Springs Union
Etiwanda	Orange Unified	Westside Union
Fullerton	Palm Springs Unified	William S. Hart Union High
Fullerton Jt. Union High	Placentia-Yorba Linda Unif.	Victor Elementary
Garden Grove Unified	Poway Unified	
Hemet Unified	Rialto Unified	

Churches/Church Organizations:

Calvary Church, Santa Ana	Lutheran Church, Missouri Synod
Central Baptist Church, Pomona	Presbytery of Los Rancho
Christian & Missionary Alliance Church, Santa Ana	St. Mark's Lutheran Church, Hac. Hts.
Christian Church Foundation	United Methodist Church
Congregational Church, Fullerton	Vineyard Christian Fellowship
First Church of the Nazarene	Yorba Linda United Methodist Church

Other:

Beverly Hospital	Fullerton College
Biola University	So. Org. Cnty. Comm. College Dist.
Cedars-Sinai Medical Center	The Claremont College Services

APPENDIX E

INFORMATION CONCERNING THE DEPOSITORY TRUST COMPANY

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Community Facilities District believes to be reliable, but the Community Facilities District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Direct Participants, Indirect Participants or Beneficial Owners (as defined below), confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Direct Participants, Indirect Participants and the Beneficial Owners is based solely on information provided by DTC.

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Community Facilities 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).

Principal, redemption price and interest 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 Community Facilities District or the Fiscal Agent, 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 Fiscal Agent, or the Community Facilities District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Community Facilities District or the Fiscal Agent, 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.

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

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

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”), dated December 13, 2023, is executed and delivered by Community Facilities District No. 2019-86 (Tierra Del Sol) of Eastern Municipal Water District (the “Issuer”) in connection with the issuance by the Issuer of its 2023 Special Tax Bonds (the “Bonds”). The Bonds are being issued pursuant to a Resolution of Issuance adopted by the Board of Directors of the Issuer on November 15, 2023 and a Trust Indenture, dated as of December 1, 2023, by and between the Issuer and U.S. Bank Trust Company, National Association, as the Fiscal Agent (the “Indenture”).

The Issuer covenants as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered, for the benefit of the Owners and Beneficial Owners of the Bonds and to assist the Participating Underwriter in complying with the Rule.

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

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

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

“Community Facilities District” shall mean Community Facilities District No. 2019-86 (Tierra Del Sol) of Eastern Municipal Water District.

“Disclosure Representative” shall mean the General Manager, the Chief Financial Officer, any Deputy General Manager or such other officer or employee as the Issuer shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean, initially, the Issuer, or any successor Dissemination Agent designated in writing by the Issuer.

“EMMA” shall mean the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at www.emma.msrb.org, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission in the future.

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

“Official Statement” shall mean the Issuer’s official statement with respect to the Bonds.

“Participating Underwriter” shall mean Piper Sandler & Co., the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rate and Method of Apportionment” means that certain Rate and Method of Apportionment of Special Tax approved pursuant to the Resolution of Formation, as it may be amended in accordance with the Act and the Indenture.

“Resolution of Formation” means Resolution No. 2021-046 adopted by the Board of Directors of the Water District on March 3, 2021, pursuant to which the Water District formed the Community Facilities District.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Tax-exempt” shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preferences or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

SECTION 3. Provision of Annual Reports.

(a) Not later than eight months after the end of the Issuer’s fiscal year (which currently ends on June 30), commencing with the fiscal year ending June 30, 2023, which is due not later than March 1, 2024, the Issuer shall, or shall cause the Dissemination Agent to, provide to EMMA and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate; provided, however, that the first Annual Report due not later than March 1, 2024 shall consist solely of the Official Statement. If the Dissemination Agent is other than the Issuer, then not later than 15 business days prior to the date referred to in the prior sentence hereof, the Issuer shall provide the Annual Report (in a form suitable for filing with EMMA) to the Dissemination Agent. The Annual Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements, if any are prepared, of the Issuer may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report. The Official Statement and the Issuer’s audited financial statements, if any are prepared, will serve as the first Annual Report.

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

(c) If the Issuer is unable to provide to the Municipal Securities Rulemaking Board an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the Municipal Securities Rulemaking Board in a timely manner, in the form required by EMMA or if the Dissemination Agent is other than the Issuer and if the Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA by the date required in subsection (a), the Dissemination Agent shall send a notice to EMMA in a timely manner, in the form required by EMMA.

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

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

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

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

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

(a) Financial Statements. The audited financial statements of the Issuer for the most recent fiscal year of the Issuer then ended, if any audited financial statements of the Issuer are produced. The Issuer does not currently produce audited financial statements and does not currently expect to produce audited financial statements. If the audited financial statements are to be produced and are not available by the time the Annual Report is required to be filed, the Issuer shall, as soon as practicable after the audited financial statements become available, post the audited financial statements to EMMA. If audited financial statements of the Issuer are not prepared, no unaudited financial statements need be submitted.

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

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

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

(iii) the assessed valuation of the Taxable Property within the Community Facilities District;

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

(v) a table setting forth the annual Special Tax delinquency rate within the Community Facilities District on June 30 for each fiscal year on which a delinquency exists, listing for each fiscal year the total Special Tax levy, the amount delinquent and the percent delinquent;

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

(vii) an update of the assessed value-to-lien ratio based on the outstanding principal amount of the Bonds and any Parity Bonds and on the assessed values of property for the current fiscal year; and

(viii) the status of the construction of the public improvements to be acquired or constructed with proceeds of the Bonds and any changes in the types of public facilities to be constructed or acquired from those described in the Official Statement, but only so long as such public improvements are not completed.

(c) Any or all of the items listed in (a) or (b) above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a

final official statement, it must be available from the Municipal Securities Rulemaking Board through EMMA. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

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

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. tender offers;
4. bond calls, if material;
5. defeasances;
6. rating changes;
7. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
8. unscheduled draws on debt service reserves reflecting financial difficulties;
9. unscheduled draws on credit enhancements reflecting financial difficulties;
10. substitution of credit or liquidity providers, or their failure to perform;
11. modifications to rights of security holders, if material;
12. release, substitution, or sale of property securing repayment of the securities, if material;
13. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties;
14. bankruptcy, insolvency, receivership or similar event of the obligated person. For the purposes of the event identified in this Section 5(a)(14), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person;

15. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

16. appointment of a successor or additional trustee or the change of name of a trustee, if material;

17. incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.

(b) For purposes of the events identified in subparagraphs (a)(13) and (a)(17) under this Section 5, the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

(c) In the event that the Issuer’s fiscal year changes, the Issuer shall report or shall instruct the Dissemination Agent to report such change in the same manner and to the same parties as Listed Event would be reported pursuant to this Section.

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

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

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Issuer. The Dissemination Agent may resign by providing (i) thirty days written notice to the Issuer, and (ii) upon appointment of a new Dissemination Agent hereunder.

SECTION 8. Amendment.

(a) This Disclosure Certificate may be amended, by written agreement of the parties, without the consent of the Owners, and any provision of this Disclosure Certificate may be waived, if all of the following conditions are satisfied: (1) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) the undertakings in this Disclosure Certificate as so amended or waived would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (3) the amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners or (ii) does not, in the determination of the Issuer, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

(b) To the extent any amendment to this Disclosure Certificate results in a change in the type of financial information or operating data provided pursuant to this Disclosure Certificate, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(c) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

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

SECTION 10. Default. In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer and/or the Dissemination Agent to comply with their respective 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 Issuer or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. Where an entity other than the Issuer is acting as the Dissemination Agent, the Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. Any Dissemination Agent shall be paid (i) compensation by the Issuer for its services provided hereunder in accordance with a schedule of fees to be mutually agreed to; and (ii) all expenses, 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 by the Issuer pursuant to this Disclosure Certificate. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Certificate. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Certificate.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds; and it shall create no rights in any other person or entity.

SECTION 13. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the filing of any paper or any further act.

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

COMMUNITY FACILITIES DISTRICT NO. 2019-86 (TIERRA
DEL SOL) OF EASTERN MUNICIPAL WATER DISTRICT

By: _____
Disclosure Representative

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APPENDIX G

DEVELOPER CONTINUING DISCLOSURE CERTIFICATE

This Developer Continuing Disclosure Certificate (the “Disclosure Certificate”) dated as of December 1, 2023 is executed and delivered by Meritage Homes of California, Inc., a California corporation (the “Landowner”), in connection with the issuance by Community Facilities District No. 2019-86 (Tierra Del Sol) of Eastern Municipal Water District (the “Community Facilities District”) of the \$5,615,000 Community Facilities District No. 2019-86 (Tierra Del Sol) of Eastern Municipal Water District 2023 Special Tax Bonds (the “Bonds”). The Bonds are being issued pursuant to A Trust Indenture dated as of December 1, 2023 (the “Indenture”) by and between the Community Facilities District and U.S. Bank Trust Company, National Association, as fiscal agent (the “Fiscal Agent”). The Landowner covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Landowner to assist the Underwriter in the marketing of the Bonds.

SECTION 2. Definitions. Unless defined herein, capitalized terms used herein shall have the meanings ascribed thereto in the Indenture.

“Affiliate” shall mean, with respect to the Landowner, any other Person (i) who directly, or indirectly through one or more intermediaries, is currently controlling, controlled by or under common control with the Landowner, and (ii) for whom information, including financial information or operating data, concerning such Person is material to potential investors in their evaluation of the Community Facilities District and investment decision regarding the Bonds (*i.e.* information regarding such Person’s assets or funds that would materially affect the Landowner’s ability to develop the Property as described in the Official Statement or to pay its Special Taxes on the portion of the Property then owned by the Landowner (to the extent the responsibility of the Landowner) prior to delinquency). For purposes hereof, the term “control” (including the terms “controlling,” “controlled by” or “under common control with”) means the present possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Community Facilities District” shall mean Community Facilities District No. 2019-86 (Tierra Del Sol) of Eastern Municipal Water District.

“Dissemination Agent” shall mean the Landowner or any successor Dissemination Agent designated in writing by the Landowner and which has filed with the Landowner and the Community Facilities District a written acceptance of such designation.

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

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

“MSRB” shall mean the Municipal Securities Rulemaking Board and any successor entity as the repository for filings.

“Official Statement” shall mean the Official Statement, dated November 28, 2023, relating to the Bonds.

“Person” shall mean an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, an unincorporated organization or a government or political subdivision thereof.

“Property” means the real property within the boundaries of the Community Facilities District that is owned by the Landowner or any Affiliate.

“Repository” shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission as a repository of disclosure information. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Semiannual Report” shall mean any report to be provided by the Landowner on or prior to June 15 and December 15 of each year, commencing with the Semiannual Report due June 15, 2024, pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“State” shall mean the State of California.

“Underwriter” shall mean the original underwriter of the Bonds, which is Piper Sandler & Co.

SECTION 3. Provision of Semiannual Reports.

(a) The Landowner shall, or upon receipt of the Semiannual Report the Dissemination Agent shall, not later than June 15 and December 15 of each year, commencing June 15, 2024, provide to the Repository the Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If, in any year, June 15 or December 15 falls on a Saturday, Sunday or a federal holiday, such deadline shall be extended to the next following day that is not a Saturday, Sunday or federal holiday. The Semiannual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Landowner utilizes the Dissemination Agent to file the Semiannual Report, then not later than 15 calendar days prior to the date specified in subsection (a) for providing the Semiannual Report to the Repository, the Landowner shall provide the Semiannual Report to the Dissemination Agent (if different from the Landowner), and shall provide a written certification with (or included as a part of) each Semiannual Report furnished to the Dissemination Agent, the Underwriter, and the Community Facilities District to the effect that such Semiannual Report constitutes the Semiannual Report required to be furnished by it under this Disclosure Certificate. If the Dissemination Agent (if different from the Landowner) does not receive a Semiannual Report from the Landowner and cannot verify that a Semiannual Report has been filed with the Repository by 15 calendar days prior to the date specified in subsection (a) for providing the Semiannual Report to the Repository, the Dissemination Agent shall send a reminder notice to the Landowner that the Semiannual Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct the Landowner to determine whether its obligations under this Disclosure Certificate have terminated (pursuant to Section 6 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).

(c) If the Landowner does not provide, or cause the Dissemination Agent to provide, a Semiannual Report to the Repository on or prior to the date specified in subsection (a) for providing the Semiannual Report to the Repository, the Dissemination Agent shall send, in a timely manner, a notice to the Repository of the failure to file the Semiannual Report in the form required by the Repository.

(d) The Dissemination Agent shall:

(i) determine, prior to the date for providing the Semiannual Report, the name and address of the Repository; and

(ii) promptly after receipt of the Semiannual Report, file a report with the Landowner and the Community Facilities District certifying that the Semiannual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the Repository.

(e) Notwithstanding any other provision of this Disclosure Certificate, any of the required filings hereunder shall be made in accordance with the MSRB's EMMA system or in another manner approved by the MSRB or the Securities and Exchange Commission.

SECTION 4. Content of Semiannual Reports.

(a) The Landowner's Semiannual Report shall contain or include by reference the information which is updated through a date which shall not be more than 60 days prior to the date the applicable Semiannual Report is required to be filed, relating to the following:

1. To the extent not previously disclosed in a prior Semiannual Report, a discussion of any material change in the Landowner's sources of funds to finance its development of the Property as disclosed in the Official Statement, and, if applicable, whether any material defaults exist under any loan arrangement related to such financing. As disclosed in the Official Statement, the Landowner is financing its development of the Property through internal sources.

2. A summary of development activity conducted by the Landowner or any Affiliate within the Community Facilities District, including the number of parcels for which sales to homebuyers have closed.

3. Any sale by the Landowner or any Affiliate of Property to another Person, other than to buyers of completed homes, including a description of the property sold (acreage, number of lots, etc.) and the identity of the Person that so purchased the property, all since the most recent Semiannual Report.

4. Any major legislative, administrative and judicial challenges that the Landowner is currently involved in or has actual knowledge of, to or affecting the Landowner's development of the Property, or the time for construction of any public or private improvements to be made to the Property by the Landowner or any Affiliate (the "Landowner Improvements").

5. Any significant amendments to land use entitlements known to the Landowner with respect to the Property owned by the Landowner or its Affiliates.

6. Information regarding any failure by the Landowner or any of its Affiliates to pay any real property taxes (including Special Taxes) levied on any Property owned by the Landowner or any Affiliates.

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

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Landowner shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material under clauses (b) and (c) as soon as practicable after the occurrence of any of the following events:

1. Failure to pay any real property taxes, special taxes or assessments levied within the Community Facilities District on a parcel owned by the Landowner or any Affiliate, to the extent such failure is not promptly cured by the Landowner or any Affiliate upon discovery thereof;

2. Material default by the Landowner or any Affiliate on any loan with respect to the construction or permanent financing of the Landowner Improvements to which the Landowner or any Affiliate has been provided a notice of default;

3. Material default by the Landowner or any Affiliate on any loan secured by property within the Community Facilities District owned by the Landowner or any Affiliate to which the Landowner or any Affiliate has been provided a notice of default;

4. Material payment default by the Landowner on any loan of the Landowner (whether or not such loan is secured by property within the Community Facilities District) which is beyond any applicable cure period in such loan;

5. The filing of any proceedings with respect to the Landowner, in which the Landowner, may be adjudicated as bankrupt or discharged from any or all of its debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts;

6. The filing of any proceedings with respect to an Affiliate of the Landowner, in which such Affiliate of the Landowner may be adjudicated as bankrupt or discharged from any or all of its respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts if such adjudication could materially adversely affect the completion of the Landowner Improvements or the development of the Property (including the payment of Special Taxes); and

7. The filing of any lawsuit against the Landowner or any of its Affiliates (with service of process on the Landowner or its Affiliates having occurred) which, in the reasonable judgment of the Landowner, will materially adversely affect the completion of the development of the Property owned by the Landowner or its Affiliates within the Community Facilities District, or litigation which if decided against the Landowner, or any of its Affiliates, in the reasonable judgment of the Landowner, would materially adversely affect the financial condition of the Landowner or any Affiliate of the Landowner owning any Property within the Community Facilities District, or their respective ability to pay Special Taxes levied on their respective Property within the Community Facilities District when due.

(b) Whenever the Landowner obtains knowledge of the occurrence of a Listed Event, the Landowner shall as soon as possible determine if such event would be material under applicable federal securities laws. The Dissemination Agent (if different from the Landowner) shall have no responsibility to determine the materiality of any of the Listed Events.

(c) If the Landowner determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Landowner shall promptly file or cause the Dissemination Agent to file a notice of such occurrence with the Repository, with a copy to the Community Facilities District.

SECTION 6. Termination of Reporting Obligation. The Landowner's obligations under this Disclosure Certificate shall terminate upon the earlier to occur of the following events:

- (a) the legal defeasance, prior redemption or payment in full of all of the Bonds, or
- (b) the date on which, the Landowner has conveyed 111 or more of its 139 planned residential units in the Community Facilities District.

If such termination occurs prior to the final maturity of the Bonds, the Landowner shall give notice of such termination in the same manner as for a Semiannual Report hereunder.

SECTION 7. Dissemination Agent. The Landowner may from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Landowner, the Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Landowner pursuant to this Disclosure Certificate. The Dissemination Agent may resign by providing (i) thirty days written notice to the Landowner and (ii) upon appointment of a new Dissemination Agent hereunder.

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

- (a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements or change in law;
- (b) The amendment or waiver either (i) is approved by the owners of the Bonds in the same manner as provided in the Indenture with the consent of owners of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the Community Facilities District and the Dissemination Agent, materially impair the interests of the owners or Beneficial Owners of the Bonds; and
- (c) The Landowner, or the Dissemination Agent, shall have delivered copies of the amendment and any opinions delivered under (b) above to the Community Facilities District and the Fiscal Agent.

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

The Landowner acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Landowner, and that under some circumstances compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the Landowner under such laws.

SECTION 10. Default. In the event of a failure of the Landowner or the Dissemination Agent to comply with any provision of this Disclosure Certificate, any Underwriter or any owner or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific

performance by court order, to cause the Landowner or the Dissemination Agent to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the Landowner or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Landowner, the Underwriter, owners of the Bonds or Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon a direction from the Landowner or an opinion of nationally recognized bond counsel. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Certificate. The Dissemination Agent may conclusively rely upon the Semiannual Report provided to it by the Landowner as constituting the Semiannual Report required of the Landowner in accordance with this Disclosure Certificate and shall have no duty or obligation to review such Semiannual Report. The Dissemination Agent shall have no duty to prepare the Semiannual Report nor shall the Dissemination Agent be responsible for filing any Semiannual Report not provided to it by the Landowner in a timely manner in a form suitable for filing with the Repositories. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

SECTION 12. Landowner as Independent Contractor. In performing under this Disclosure Certificate, it is understood that the Landowner is not an agent or contractor of the Community Facilities District.

SECTION 13. Notices. Notices should be sent in writing by electronic, regular, or overnight mail to the following addresses. The following information may be conclusively relied upon until changed in writing.

Landowner: Meritage Homes
5 Peters Canyon Road, Suite 310
Irvine, California 92606
Attention: Forward Planning Manager
Email: efrem.joelson@meritagehomes.com
Telephone: (949) 299-3848

Underwriter: Piper Sandler & Co.
2321 Rosecrans Avenue
El Segundo, CA 90245
Attention: _____
Email: renee.vancho@psc.com

SECTION 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Landowner, Eastern Municipal Water District, the Community Facilities District, the Dissemination Agent, the Underwriter and owners of the Bonds and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

MERITAGE HOMES OF CALIFORNIA, INC.,
a California corporation

By: _____
[Name],
[Title]





3788 McCray Street
Riverside, CA 92506
951.200.8600



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