

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY __, 2024

NEW ISSUE – BOOK ENTRY ONLY

NOT RATED

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject however, to certain qualifications described in this Official Statement, under existing law, interest on the 2024 Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals under the Internal Revenue Code of 1986, as amended. However, interest on the 2024 Bonds may affect the corporate alternative minimum tax for certain corporations. In the further opinion of Bond Counsel, interest on the 2024 Bonds is exempt from personal income taxation imposed by the State of California. See “TAX MATTERS.”

\$12,470,000*

TEMECULA PUBLIC FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 20-01 (HEIRLOOM FARMS) 2024 SPECIAL TAX BONDS

Dated: Date of Issuance

Due: September 1, as shown on inside cover

The Temecula Public Financing Authority (the “Authority”), for and on behalf of the Temecula Public Financing Authority Community Facilities District No. 20-01 (Heirloom Farms) (the “District”), is issuing the above-captioned 2024 Special Tax Bonds (the “2024 Bonds”) pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (constituting Section 53311 et seq. of the California Government Code) (the “Act”), and a Fiscal Agent Agreement, dated as of March 1, 2024 (the “Fiscal Agent Agreement”), by and between the Authority, for and on behalf of the District, and U.S. Bank Trust Company, National Association, as fiscal agent (the “Fiscal Agent”).

The 2024 Bonds are payable from the proceeds of an annual Special Tax A (as defined in the Fiscal Agent Agreement) being levied on property located within the District and from certain funds pledged under the Fiscal Agent Agreement. The Special Tax A is being levied according to a rate and method of apportionment of Special Taxes. See “SECURITY FOR THE 2024 BONDS—Special Taxes” and Appendix B – “Rate and Method.”

Interest on the 2024 Bonds is payable on March 1 and September 1 of each year, commencing on September 1, 2024. The 2024 Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the 2024 Bonds. Individual purchases of the 2024 Bonds will be made in book-entry form only. See “THE 2024 BONDS—General Provisions” and Appendix G – “DTC and the Book-Entry Only System.”

The 2024 Bonds are subject to redemption prior to maturity. See “THE 2024 BONDS—Redemption.”

The Authority may issue additional bonds for the District that would be secured by a lien on the Special Tax Revenues (as defined in the Fiscal Agent Agreement) and by funds pledged under the Fiscal Agent Agreement for the payment of the 2024 Bonds on a parity with the 2024 Bonds, but any such parity bonds must be Refunding Bonds, as defined in the Fiscal Agent Agreement. See “SECURITY FOR THE 2024 BONDS—Issuance of Additional Bonds.”

NONE OF THE FAITH AND CREDIT OF THE DISTRICT, THE AUTHORITY OR THE STATE OF CALIFORNIA OR OF ANY OF ITS POLITICAL SUBDIVISIONS IS PLEDGED TO THE PAYMENT OF THE 2024 BONDS. EXCEPT FOR THE SPECIAL TAX A, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE 2024 BONDS. THE 2024 BONDS ARE NEITHER GENERAL NOR SPECIAL OBLIGATIONS OF THE AUTHORITY, NOR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE AUTHORITY FOR THE DISTRICT, PAYABLE SOLELY FROM PROCEEDS OF SPECIAL TAX A AND CERTAIN AMOUNTS PLEDGED THEREFOR UNDER THE FISCAL AGENT AGREEMENT, AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

This cover page contains certain information for quick reference only. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the 2024 Bonds. See the section of this Official Statement entitled “SPECIAL RISK FACTORS” for a discussion of certain risk factors that should be considered, in addition to the other matters discussed herein, in considering the investment quality of the 2024 Bonds.

MATURITY SCHEDULE

(see inside cover)

The 2024 Bonds are offered when, as and if issued by the Authority for the District, subject to approval as to their legality by Quint & Thimmig LLP, Larkspur, California, Bond Counsel, and certain other conditions. Certain legal matters with respect to the 2024 Bonds will be passed upon for the Authority by Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, in its capacity as general counsel to the Authority, and by Quint & Thimmig LLP, Larkspur, California, acting as Disclosure Counsel to the Authority. Certain legal matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. It is anticipated that the 2024 Bonds in definitive form will be available for delivery to DTC on or about March 13, 2024.

STIFEL

The date of this Official Statement is March __, 2024.

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

\$12,470,000*
TEMECULA PUBLIC FINANCING AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 20-01
(HEIRLOOM FARMS)
2024 SPECIAL TAX BONDS

Maturity Schedule

\$ _____ Serial Bonds; CUSIP Prefix: 87972Y⁽¹⁾

| <u>Maturity Date</u> <u>(September 1)</u> | <u>Principal</u> <u>Amount</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> | <u>Price</u> | <u>CUSIP</u> <u>Suffix</u> ⁽¹⁾ |
|--|-----------------------------------|--------------------------------|--------------|--------------|--|
|--|-----------------------------------|--------------------------------|--------------|--------------|--|

| | | | | | |
|----------|---------|-----------------------------------|-------------|----------------|---|
| \$ _____ | _____ % | Term Bonds due September 1, _____ | Price _____ | to Yield _____ | _____ % CUSIP ⁽¹⁾ : 87972Y _____ |
| \$ _____ | _____ % | Term Bonds due September 1, _____ | Price _____ | to Yield _____ | _____ % CUSIP ⁽¹⁾ : 87972Y _____ |
| \$ _____ | _____ % | Term Bonds due September 1, _____ | Price _____ | to Yield _____ | _____ % CUSIP ⁽¹⁾ : 87972Y _____ |
| \$ _____ | _____ % | Term Bonds due September 1, 2054 | Price _____ | to Yield _____ | _____ % CUSIP ⁽¹⁾ : 87972Y _____ |

* Preliminary, subject to change.

(1) Copyright American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the owners of the 2024 Bonds. Neither the Authority nor the Underwriter is responsible for the selection or use of these CUSIP numbers, and no representation is made as to their correctness. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2024 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2024 Bonds.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

The information contained in this Official Statement has been obtained from sources that are believed to be reliable. No representation, warranty or guarantee, however, is made by the Underwriter as to the accuracy or completeness of any information in this Official Statement, including, without limitation, the information contained in the Appendices, and nothing contained in this Official Statement should be relied upon as a promise or representation by the Underwriter.

Neither the Authority nor the Underwriter has authorized any dealer, broker, salesperson or other person to give any information or make any representations with respect to the offer or sale of the 2024 Bonds other than as contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by the Authority or the Underwriter. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the 2024 Bonds shall under any circumstances create any implication that there has been no change in the affairs of any party described in this Official Statement, or in the status of any property described in this Official Statement, subsequent to the date as of which such information is presented.

This Official Statement and the information contained in this Official Statement are subject to amendment without notice. The 2024 Bonds may not be sold, and no offer to buy the 2024 Bonds may be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the 2024 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

This Official Statement is not to be construed as a contract with the purchasers or owners of the 2024 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with a nationally recognized municipal securities depository.

When used in this Official Statement, in any continuing disclosure by the Authority, in any press release, or in any oral statement made with the approval of an authorized officer of the Authority or any other entity described or referenced in this Official Statement, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

All summaries of the documents referred to in this Official Statement are qualified by the provisions of the respective documents summarized 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 the completeness of such information."

In connection with the offering of the 2024 Bonds, the Underwriter may overallocate or effect transactions that stabilize or maintain the market prices of the 2024 Bonds at levels 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 2024 Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

The 2024 Bonds have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), in reliance upon an exemption from the registration requirements contained in the Securities Act. The 2024 Bonds have not been registered or qualified under the securities laws of any state.

The City of Temecula maintains an Internet website, but the information on the website is not incorporated in this Official Statement.

TEMECULA PUBLIC FINANCING AUTHORITY

Board of Directors

James Stewart, *Chair*
Brenden Kalfus, *Member*
Zak Schwank, *Member*
Jessica Alexander, *Member*
Vacant

Authority/City of Temecula Officials

Aaron Adams, *Executive Director and City Manager*
Luke Watson, *Deputy City Manager*
Jennifer Hennessy, *Authority Treasurer and City Director of Finance*
Patrick Thomas, *Director of Public Works and City Engineer*
Randi Johl, *Authority Secretary and City Clerk*

PROFESSIONAL SERVICES

Authority General Counsel and City Attorney

Richards, Watson & Gershon,
A Professional Corporation
Los Angeles, California

Municipal Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Bond Counsel and Disclosure Counsel

Quint & Thimmig LLP
Larkspur, California

Special Tax Consultant and Dissemination Agent

Webb Municipal Finance, LLC
Riverside, California

Appraiser

Integra Realty Resources
Sacramento, California

Fiscal Agent

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

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CITY OF TEMECULA (Riverside County, California)

Regional Location Map



OFFICIAL STATEMENT

\$12,470,000*
TEMECULA PUBLIC FINANCING AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 20-01
(HEIRLOOM FARMS)
2024 SPECIAL TAX BONDS

INTRODUCTION

This introduction is not a summary of this Official Statement and is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement by those interested in purchasing the 2024 Bonds. The sale and delivery of 2024 Bonds to potential investors is made only by means of the entire Official Statement. Certain capitalized terms used in this Official Statement and not defined herein have the meanings set forth in Appendix C – “Summary of the Fiscal Agent Agreement—Definitions” or in Appendix B – “Rate and Method.”

General

The purpose of this Official Statement, which includes the cover page, the inside cover page, the table of contents and the attached appendices (the “**Official Statement**”), is to provide certain information concerning the issuance of the above-captioned 2024 Special Tax Bonds (the “**2024 Bonds**”). The 2024 Bonds are being issued by the Temecula Public Financing Authority (the “**Authority**”), for and on behalf of the Temecula Public Financing Authority Community Facilities District No. 20-01 (Heirloom Farms) (the “**District**”), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the “**Act**”) and a Fiscal Agent Agreement, dated as of March 1, 2024 (the “**Fiscal Agent Agreement**”), by and between the Authority, for and on behalf of the District, and U.S. Bank Trust Company, National Association, as fiscal agent (the “**Fiscal Agent**”). The net proceeds of the 2024 Bonds will be used to finance certain public improvements authorized to be funded by the District. See “PLAN OF FINANCING.”

Authority for Issuance

General. The District was formed on April 13, 2021 under the authority of the Act, which was enacted by the California Legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. The Act authorizes local governmental entities to establish community facilities districts as legally constituted governmental entities within defined boundaries, with the legislative body of the local applicable governmental entity acting on behalf of the district. Subject to approval by at least a two-thirds vote of the votes cast by the qualified electors within a district and compliance with the provisions of the Act, the legislative body may authorize the issuance of bonds for the community facilities district established by it and may authorize the levy and collection of a special tax within the district to repay the bonds.

Bond Authority. The 2024 Bonds are authorized to be issued pursuant to the Act, a Resolution adopted on February 13, 2024 by the Board of Directors of the Authority (the “**Board of Directors**”) acting as the legislative body of the District, and the Fiscal Agent Agreement. For

* Preliminary, subject to change.

more detailed information about the formation of the District and the authority for issuance of the 2024 Bonds, see “THE DISTRICT—History of the District.”

The 2024 Bonds

The 2024 Bonds will be issued only as fully registered bonds, in integral multiples of \$5,000, and will bear interest at the rates per annum and will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. The 2024 Bonds will be dated the date of their issuance and interest on the 2024 Bonds will be payable on March 1 and September 1 of each year, commencing September 1, 2024 (each an “**Interest Payment Date**”). The 2024 Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“**DTC**”), which will act as securities depository for the 2024 Bonds. See “THE 2024 BONDS—General Provisions.”

Redemption Prior to Maturity. The 2024 Bonds are subject to optional redemption, mandatory sinking payment redemption and mandatory redemption from Special Tax prepayments prior to their respective maturities. See “THE 2024 BONDS—Redemption” and “SPECIAL RISK FACTORS—Potential Early Redemption of 2024 Bonds From Special Tax Prepayments.”

Application of 2024 Bond Proceeds

Proceeds of the 2024 Bonds will be used (a) to make deposits to four accounts within the Improvement Fund, (b) to make a deposit to the Reserve Fund in the amount of the Reserve Requirement as of the date of issuance of the 2024 Bonds, (c) to make a deposit to the Delinquency Maintenance Fund in the amount of the DMF Requirement, (d) make a deposit to the Capitalized Interest Account of the Bond Fund, and (e) to pay the costs of issuance of the 2024 Bonds. See “PLAN OF FINANCING—Estimated Sources and Uses of Funds.” The proceeds of the 2024 Bonds deposited to the accounts within the Improvement Fund will be used to pay the costs of certain public improvements (the “**Improvements**”) authorized to be funded by the District. See “THE DISTRICT—The Improvements.”

Parity Bonds

The Authority may in the future issue bonded indebtedness (future “**Parity Bonds**”) that is secured by a lien on the Special Tax Revenues and on the funds pledged under the Fiscal Agent Agreement on a parity with the 2024 Bonds, but any such parity bonds must be Refunding Bonds, as defined in the Fiscal Agent Agreement. See “SECURITY FOR THE 2024 BONDS—Issuance of Additional Bonds.” When used in this Official Statement, the term “**Bonds**” means, collectively, the 2024 Bonds and any future Parity Bonds that may be issued for the District.

Security for the 2024 Bonds

Pledge Under the Fiscal Agent Agreement. Pursuant to the Fiscal Agent Agreement, the Bonds are secured by a first pledge of all of the Special Tax Revenues (other than, in each Fiscal Year, up to the first \$30,000 of Special Tax Revenues that may be deposited into the Administrative Expense Fund) and all moneys deposited in the Bond Fund, the Reserve Fund and, until disbursed in accordance with the Fiscal Agent Agreement, in the Special Tax Fund and the Delinquency Maintenance Fund. See “SECURITY FOR THE 2024 BONDS—General.” “**Special Tax Revenues**,” as defined in the Fiscal Agent Agreement, means the proceeds of the Special Taxes (as described under the subheading “Special Taxes; Rate and Method” below)

received by the Authority, including any scheduled payments and any prepayments thereof, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon, but does not include penalties, if any, collected in connection with delinquent Special Taxes. The Special Tax Revenues and all moneys deposited into the Bond Fund, the Reserve Fund and the Special Tax Fund are dedicated to the payment of the principal of, and interest and any premium on, the Bonds in accordance with the Fiscal Agent Agreement until all of the Bonds have been paid or defeased. See “SECURITY FOR THE 2024 BONDS—Special Taxes” and Appendix B – “Rate and Method.”

Special Taxes; Rate and Method. The Special Taxes to be used to pay debt service on the Bonds will be levied on Taxable Property in the District in accordance with the Rate and Method of Apportionment of Special Tax, as described under the heading “SECURITY FOR THE 2024 BONDS—Summary of Rate and Method” (the “**Rate and Method**”). The term “**Special Taxes**”, when used in this Official Statement, means the **Special Tax A** levied on the Taxable Property within the District pursuant to the Rate and Method and the Fiscal Agent Agreement to fund the “**Special Tax A Requirement**,” which includes amounts needed to pay the debt service on the 2024 Bonds. The Rate and Method also allows for the levy of a **Special Tax B** to pay for certain municipal services authorized to be funded by the District until a Transition Event has occurred, and a **Special Tax C** to pay for the authorized municipal services following the occurrence of the Transition Event. The Special Tax B and the Special Tax C are not in any way pledged, and will not be used, to pay debt service on the Bonds. See “SECURITY FOR THE 2024 BONDS—Special Taxes,” and “—Summary of Rate and Method.”

With respect to the annual Special Tax A levy on property in the District, the Special Tax A levy on any parcel may not exceed the Maximum Special Tax rate applicable to such parcel. See “SECURITY FOR THE 2024 BONDS—Summary of Rate and Method – Maximum Special Taxes.” Also, under no circumstances may the Special Tax A on a parcel in residential use be increased in any Fiscal Year as a consequence of the delinquency or default in payment of the Special Tax A levied on another parcel or parcels by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults. See “SECURITY FOR THE 2024 BONDS—Summary of Rate and Method – Method of Apportionment.”

Limitations. Amounts in the Administrative Expense Fund, the accounts within the Improvement Fund and the Costs of Issuance Fund, each of which is established under the Fiscal Agent Agreement, are not pledged to the repayment of the Bonds. A portion of the Special Taxes collected annually and to be deposited on a priority basis to the Administrative Expense Fund (see clause (i) of the second paragraph under “SECURITY FOR THE 2024 BONDS—Special Tax Fund”) is not pledged to the repayment of the Bonds. The Improvements are not pledged as collateral for the Bonds. The Special Tax B, the Special Tax C and the proceeds of condemnation or destruction of any of the Improvements are not pledged to pay the debt service on the Bonds. In the event that the Special Taxes are not paid when due, the only sources of funds available to repay the Bonds are amounts held by the Fiscal Agent under the Fiscal Agent Agreement in the Bond Fund, the Reserve Fund, and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund, as well as certain proceeds, if any, from foreclosure sales of parcels with delinquent Special Taxes. See “SECURITY FOR THE 2024 BONDS-General.”

Delinquency Maintenance Fund

The Special Tax A was first levied on property in the District in Fiscal Year 2023-24, with the first installment of the Special Tax delinquent if not paid by property owners by

December 10, 2023. The Authority experienced an unexpected rate of delinquency in payment of that installment. See “THE DISTRICT—Special Tax Delinquencies.” To address the current elevated level of delinquencies, the Fiscal Agent Agreement establishes a Delinquency Maintenance Fund to be held by the Fiscal Agent, to the credit of which a deposit of \$_____ will be made from the proceeds of the 2024 Bonds on the Closing Date, which is equal to the initial DMF Requirement, and deposits shall be made as provided in the Fiscal Agent Agreement. The DMF Requirement is approximately equal to the percentage of the aggregate December 10, 2023 Special Tax levy that remained delinquent as of February 12, 2024. Moneys in the Delinquency Maintenance Fund will be held therein by the Fiscal Agent for the benefit of the owners of the Bonds and are subject to a lien in favor of the owners of the Special Tax Bonds.

Whenever the amount in the Bond Fund is insufficient to pay the principal of, premium, if any, and interest on the 2024 Bonds on any Interest Payment Date due to a deficiency in the Bond Fund, the Fiscal Agent shall transfer the amount so needed from the Delinquency Maintenance Fund to the Bond Fund before any draw is made in respect of such deficiency from the Reserve Fund.

Amounts in the Delinquency Maintenance Fund will be transferred in whole to the Acquisition Account of the Improvement Fund upon the satisfaction of certain requirements set forth in the Fiscal Agent Agreement. See “SECURITY FOR THE 2024 BONDS—Delinquency Maintenance Fund” for more information regarding the Delinquency Maintenance Fund.

Reserve Fund

The Fiscal Agent Agreement establishes a Reserve Fund to be held by the Fiscal Agent as a reserve for the payment of principal of and interest on the Bonds. The Reserve Fund is required to be funded in an amount equal to the least of (i) Maximum Annual Debt Service of the Outstanding Bonds, (ii) 125% of average Annual Debt Service on the Outstanding Bonds, or (iii) 10% of the principal amount of the then Outstanding Bonds (the “**Reserve Requirement**”). The amounts in the Reserve Fund will be available to pay debt service on the Bonds in the event that there is a shortfall in the amount in the Bond Fund to pay such debt service, following any draw on the Delinquency Maintenance Fund for such purpose. The Reserve Requirement as of the date of issuance of the 2024 Bonds, to be funded with proceeds of the 2024 Bonds, will be \$_____. See “SECURITY FOR THE 2024 BONDS—Reserve Fund” and Appendix C – “Summary of Certain Provisions of the Fiscal Agent Agreement – Funds and Accounts – Reserve Fund.”

The Authority

The Authority was formed on April 10, 2001, pursuant to a Joint Exercise of Powers Agreement (the “**JPA Agreement**”) between the City and the former Redevelopment Agency of the City of Temecula (the “**Agency**”), in accordance with Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California. The JPA Agreement was amended in May of 2016 to provide for the withdrawal of the Successor Agency to the Agency as a member of the Authority, and to add the Temecula Community Services District and the Temecula Housing Authority as members of the Authority. See “THE AUTHORITY.”

The District

General. The District was formed by the Board of Directors of the Authority pursuant to proceedings conducted under the Act on April 13, 2021 and an election held on that date

wherein Meritage Homes of California, Inc., a California corporation (referred to in this Official Statement as the “**Developer**”), as the then sole owner of the property in the District, voted in favor of the formation of the District, the levy of the Special Tax A, the Special Tax B and the Special Tax C on the property in the District and the issuance of up to \$17,000,000 principal amount of special tax bonds payable from the proceeds of the Special Tax A. See “THE DISTRICT—History of the District.” The proceeds of the Special Tax B and the Special Tax C, which will not be available to pay the debt service on the 2024 Bonds, are being and will be, as applicable, used to pay costs of services eligible to be funded by the District, which include various municipal services ranging from public safety services, to maintenance of parks and landscaping in public areas, maintenance of public signage, sidewalks and roadways, storm drains, and street lighting and traffic signals, as well as graffiti removal from public improvements, all related to the area in the District.

The District is located in the northern portion of the City, and includes approximately 28 acres of residential land currently identified as “Heirloom Farms.” Heirloom Farms, is expected to include at buildout 210 attached and 111 detached single family homes with three different product types, as well as a clubhouse, community pool and childrens play area. The three product types include Sultana with 150 three story attached townhomes, Crimson with 60 two story attached townhomes, and Valiant with 111 three story detached motor court homes. For an aerial view of the District, see “THE DISTRICT—Location and General Description of the District.”

The property in the District is being developed and the homes in the District are being constructed by the Developer. For additional information regarding the Developer, see “THE DISTRICT—The Developer.”

Summary of Status of Development. A summary of the status of development of the proposed 321 homes being constructed by the Developer in the District as of the December 4, 2023 date of value of the Appraisal Report (see “INTRODUCTION—Land Valuation” below and “THE DISTRICT—Property Values”) is provided below, along with an update on the status of the development as of January 15, 2024.

Summary of Status of Development in the District

| | as of December 4, 2023 | as of January 15, 2024 |
|---|---------------------------|---------------------------|
| lots with homes sold and conveyed to homebuyers | 118 | 146 |
| lots with completed homes | 0 | 0 |
| lots with model homes | 12 | 12 |
| lots with homes under construction | 122 | 100 |
| lots with construction not yet started | <u>69</u> | <u>63</u> |
| Total Lots | 321 | 321 |

For additional information on the status of development of the property in the District, see “THE DISTRICT—Heirloom Farms.” See also “SPECIAL RISK FACTORS—Concentration of Ownership.”

Land Valuation

Integra Realty Resources, Sacramento, California (the “**Appraiser**”) has prepared an Appraisal Report dated January 22, 2024 (the “**Appraisal Report**”), estimating the market value of the 321 lots within the District that are subject to the Special Tax A securing the 2024 Bonds (the “**Appraised Property**”). The Appraiser concluded in the Appraisal Report that the market

value of the Appraised Property as of December 4, 2023 was \$106,722,000, including \$70,060,000 allocable to the 118 homes in the District sold to homeowners, and \$36,662,000 to the 203 properties owned by the Developer, subject to various assumptions described in the Appraisal Report. See “THE DISTRICT—Property Values.” The appraised value of \$106,722,000 is approximately 8.56* times the \$12,470,000* initial principal amount of the 2024 Bonds.

The Appraisal Report, a complete copy of which is set forth in Appendix H to this Official Statement, is subject to various assumptions and limiting conditions, and the Appraisal Report should be read in its entirety by prospective purchasers of the 2024 Bonds.

The value of individual parcels of the Taxable Property varies significantly, and no assurance can be given that should Special Taxes levied on one or more of the parcels become delinquent, and should the delinquent parcels be offered for sale at a judicial foreclosure sale, that any bid would be received for the property or, if a bid is received, that such bid would be sufficient to pay such parcel’s delinquent Special Taxes. See “THE DISTRICT—Value-to-District Lien Ratios,” “SPECIAL RISK FACTORS—Property Value” and “SPECIAL RISK FACTORS—Insufficiency of Special Taxes.”

Limited Obligation

Although the unpaid Special Taxes constitute liens on parcels within the District on which they are levied, they do not constitute a personal indebtedness of the property owners. There is no assurance that the current or subsequent owners of Taxable Property in the District will be financially able to pay the Special Tax A levied on their property in the District, or that they will pay the Special Tax A even though financially able to do so.

NONE OF THE FAITH AND CREDIT OF THE DISTRICT, THE AUTHORITY OR THE STATE OF CALIFORNIA OR OF ANY OF ITS POLITICAL SUBDIVISIONS IS PLEDGED TO THE PAYMENT OF THE 2024 BONDS. EXCEPT FOR THE SPECIAL TAX A, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE 2024 BONDS. THE 2024 BONDS ARE NEITHER GENERAL NOR SPECIAL OBLIGATIONS OF THE AUTHORITY, NOR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE AUTHORITY FOR THE DISTRICT PAYABLE SOLELY FROM PROCEEDS OF THE SPECIAL TAX A AND CERTAIN AMOUNTS PLEDGED THEREFOR UNDER THE FISCAL AGENT AGREEMENT, AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

Borrowers’ Risks

Certain events could affect the ability of the Authority to pay the principal of and interest on the 2024 Bonds when due. Except for the Special Tax A, no other taxes are pledged to the payment of the 2024 Bonds. See “SPECIAL RISK FACTORS” for a discussion of certain factors that should be considered in evaluating an investment in the 2024 Bonds. The purchase of the 2024 Bonds involves significant risks, and the 2024 Bonds are not appropriate investments for all types of investors. See “SPECIAL RISK FACTORS.”

Continuing Disclosure

For purposes of complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended, the Authority has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board (the “MSRB”) certain annual financial and other information, and notice of certain enumerated events. The Developer has agreed to

* Preliminary, subject to change.

provide semi-annual reports with certain limited information and notice of certain enumerated events. The Developer's annual, semi-annual and enumerated event reporting obligations will terminate if and when 257 of the homes in the District have been conveyed to individual homeowners. See "CONTINUING DISCLOSURE," and Appendices E and F for a description of the specific nature of the reports and notices of significant events, as well as the terms of the Continuing Disclosure Agreement of the Authority and the Continuing Disclosure Certificate of the Developer, respectively, pursuant to which such reports and notices are to be made.

Other Information

This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change without notice. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Authority on behalf of the District.

Copies of the Fiscal Agent Agreement and certain other documents referenced in this Official Statement are available for inspection at the office of, and (upon written request and payment to the Authority of a charge for copying, mailing and handling) are available for delivery from, the Director of Finance, City of Temecula, 41000 Main Street, Temecula, California 92590.

PLAN OF FINANCING

Overview

General. The primary purpose of the 2024 Bonds is to provide funds to pay costs of certain of the Improvements authorized to be funded by the District. Proceeds of the 2024 Bonds will also be used to make deposits to a Delinquency Maintenance Fund, a Reserve Fund and a Capitalized Interest Account, as well as to pay costs of issuance of the 2024 Bonds.

Funding for Improvements. The Authority, for and on behalf of the District, entered into an Acquisition Agreement with the Developer, dated as of February 23, 2021 (as amended on March 1, 2024, the "**Acquisition Agreement**"), pursuant to which the Authority has agreed to use proceeds of the 2024 Bonds to pay the costs of specified public infrastructure improvements. At the time of formation of the District in 2021, the Authority also entered into separate joint community facilities agreements ("JCFAs") with the City, the Temecula Valley Unified School District (the "School District") and the Eastern Municipal Water District (the "Water District"), whereby proceeds of the 2024 Bonds are to be used to finance certain City, School District and Water District designated public improvements and those entities are to provide the Developer with credit against certain capital improvement fees payable with respect to the homes being constructed in the District (which credits have been taken into account in the Appraisal Report in determining the appraised value of the Taxable Property in the District, see Appendix H – "Appraisal Report").

The JCFAs designated public improvements, and the improvements to be constructed by the Developer pursuant to the Acquisition Agreement are collectively referred to in this Official Statement as the "**Improvements**." The Fiscal Agent Agreement establishes accounts within the Improvement Fund held by Fiscal Agent, one with respect to the City JCFA, one with respect to the School District JCFA, one with respect to the Water District JCFA and one with respect to the Acquisition Agreement, each of which will be funded with a portion of the proceeds of the 2024 Bonds. See "PLAN OF FINANCING—Estimated Sources and Uses of Funds" and "THE DISTRICT—The Improvements."

Proceeds of the 2024 Bonds to be deposited to the Acquisition Account of the Improvement Fund are not expected to be sufficient to pay costs of all of the Improvements eligible to be funded under the provisions of the Acquisition Agreement. Under the Acquisition Agreement, costs of the portion of the Improvements specified therein in excess of the proceeds of the 2024 Bonds in the Acquisition Account of the Improvement Fund are the responsibility of the Developer. The amounts in the accounts within the Improvement Fund are not available to make payments on the 2024 Bonds.

Estimated Sources and Uses of Funds

The sources and uses of funds in connection with the 2024 Bonds are expected to be as follows:

| | |
|--|-------|
| Principal amount of 2024 Bonds | \$ |
| Less: Net Original Issue Discount | |
| Less: Underwriter’s Discount | _____ |
| Total Sources | \$ |
| | |
| Deposit to Accounts within the Improvement Fund ⁽¹⁾ | \$ |
| City Account | |
| School District Account | |
| Water District Account | |
| Acquisition Account | |
| Deposit to Reserve Fund ⁽²⁾ | |
| Deposit to Delinquency Maintenance Fund ⁽³⁾ | |
| Deposit to Capitalized Interest Payment Account ⁽⁴⁾ | |
| Deposit to Costs of Issuance Fund ⁽³⁾ | _____ |
| Total Uses | \$ |

-
- (1) See “PLAN OF FINANCING—Overview – Funding for Improvements” and “THE DISTRICT—The Improvements.”
 - (2) An amount equal to the Reserve Requirement as of the date of issuance of the 2024 Bonds. See “SECURITY FOR THE 2024 BONDS—Reserve Fund.”
 - (3) An amount equal to the initial DMF Requirement. See “SECURITY FOR THE 2024 BONDS—Delinquency Maintenance Fund.”
 - (4) To be used to pay a portion of the interest due on the 2024 Bonds on September 1, 2024.
 - (5) Costs of issuance include, without limitation, Fiscal Agent fees and expenses, Municipal Advisor fees and expenses, the fees and expenses of Bond Counsel, Disclosure Counsel and Counsel to the Authority, printing costs and other costs related to the issuance of the 2024 Bonds.

THE 2024 BONDS

Authority for Issuance

The 2024 Bonds are authorized to be issued pursuant to the Act, a Resolution adopted on February 13, 2024, by the Board of Directors, acting as the legislative body of the District, and the Fiscal Agent Agreement. The Special Taxes to be used to pay debt service on the 2024 Bonds are being levied in accordance with the Rate and Method.

General Provisions

The 2024 Bonds will be issued only as fully registered bonds, in denominations of \$5,000 and integral multiples thereof, and will bear interest at the rates per annum and will mature on

the dates set forth on the inside cover page of this Official Statement. Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months. The 2024 Bonds will be dated the date of their issuance and interest will be payable on each Interest Payment Date, commencing September 1, 2024.

Each 2024 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated on an Interest Payment Date, in which event it will bear interest from such date of authentication, or (b) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or (c) it is authenticated on or before August 15, 2024, in which event it will bear interest from the date of issuance of the 2024 Bonds; provided, however, that if, as of the date of authentication of any 2024 Bond interest thereon is in default, such 2024 Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. “**Record Date**” is defined in the Fiscal Agent Agreement as the fifteenth day of the month next preceding the month of the applicable Interest Payment Date, whether or not such fifteenth (15th) day is a Business Day.

The 2024 Bonds will be payable both as to principal and interest, and as to any premium upon the redemption thereof, in lawful money of the United States of America. The principal of the 2024 Bonds and any premium due upon the redemption thereof will be payable upon presentation and surrender at the principal corporate trust office of the Fiscal Agent. Interest on each 2024 Bond will be computed using a year of 360 days comprised of twelve 30-day months. The Fiscal Agent Agreement provides that, in any case where the date of the payment of debt service on the 2024 Bonds or the date fixed for redemption of any 2024 Bonds is other than a Business Day, the payment of debt service or the redemption need not be made on such date but may be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required and no interest shall accrue on the 2024 Bonds for the period from and after such date.

The 2024 Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the 2024 Bonds. Individual purchases of the 2024 Bonds will be made in Authorized Denominations in book-entry form only. Purchasers of the 2024 Bonds will not receive physical certificates representing their ownership interests in the 2024 Bonds purchased. Principal and interest payments represented by the 2024 Bonds are payable directly to DTC by the Fiscal Agent. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the 2024 Bonds. See Appendix G – “DTC and the Book-Entry Only System.” **So long as the 2024 Bonds are registered in the name of Cede & Co., as nominee of DTC, references in this Official Statement to the owners of the 2024 Bonds shall mean Cede & Co., and shall not mean the purchasers or Beneficial Owners of the 2024 Bonds.**

Redemption

Optional Redemption. The 2024 Bonds maturing on or after September 1, ____ are subject to optional redemption prior to their stated maturities on any Interest Payment Date occurring on or after September 1, ____, as a whole or in part in an amount equal to \$5,000 or any integral multiple thereof, among maturities so as to maintain substantially level debt service on the Bonds, and by lot within a maturity, upon payment from any source of funds available for that purpose, at a redemption price equal to the principal amount of the 2024 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Payment Redemption. The 2024 Bonds maturing on September 1, ____, are subject to mandatory sinking payment redemption in part on September 1, ____, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from sinking payments as follows:

Redemption Date
(September 1)

Sinking Payments

The Series 2024 Bonds maturing on September 1, ____ are subject to mandatory sinking payment redemption in part on September 1, ____, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from sinking payments as follows:

Redemption Date
(September 1)

Sinking Payments

The Series 2024 Bonds maturing on September 1, ____ are subject to mandatory sinking payment redemption in part on September 1, ____, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from sinking payments as follows:

Redemption Date
(September 1)

Sinking Payments

The Series 2024 Bonds maturing on September 1, 2054 are subject to mandatory sinking payment redemption in part on September 1, ____, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from sinking payments as follows:

Redemption Date
(September 1)

Sinking Payments

The amounts in the foregoing tables will be reduced as a result of any prior partial redemption of the 2024 Bonds pursuant to the optional redemption or redemption from Special Tax A prepayments provisions of the Fiscal Agent Agreement, as specified in writing by the Authority's Treasurer to the Fiscal Agent.

Mandatory Redemption From Special Tax Prepayments. The 2024 Bonds are subject to mandatory redemption prior to their stated maturity on any Interest Payment Date, from the proceeds of Special Tax Prepayments and corresponding transfers of funds from the Reserve Fund (as described below under "SECURITY FOR THE 2024 BONDS—Reserve Fund"), as a whole or in part in an amount equal to \$5,000 or any integral multiple thereof, at a redemption price (expressed as a percentage of the principal amount of the 2024 Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

| <u>Redemption Dates</u> | <u>Redemption Prices</u> |
|--|--------------------------|
| any Interest Payment Date from September 1, 2024 to and including March 1, ____ | % |
| September 1, ____ and March 1, ____ | |
| September 1, ____ and March 1, ____ | |
| September 1, ____ and any March 1 or September 1 thereafter | |

To date, no prepayments of Special Taxes have been made by the owners of the Taxable Parcels in the District, and the Developer has advised that it has no current plans to make any partial or full prepayments of Special Taxes. No assurance can be given, however, that prepayments in whole or in part of Special Taxes levied on the Taxable Property will not occur in the future, which would result in a redemption to 2024 Bonds prior to their maturity. See "SECURITY FOR THE 2024 BONDS—Summary of Rate and Method – Prepayment in Full," and "—Prepayment in Part" and "SPECIAL RISK FACTORS—Potential Early Redemption of 2024 Bonds from Special Tax Prepayments."

Purchase of 2024 Bonds In Lieu of Redemption. In lieu of redemption as described above, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2024 Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase prior to the selection of 2024 Bonds for redemption, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may 2024 Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such 2024 Bonds were redeemed in accordance with the Fiscal Agent Agreement.

Selection of 2024 Bonds for Redemption. Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the 2024 Bonds (other than pursuant to the mandatory sinking payment redemption provisions of the Fiscal Agent Agreement), the Fiscal Agent will select the 2024 Bonds to be redeemed from among the maturities of the 2024 Bonds or such given portion thereof not previously redeemed as directed by the Treasurer (who

shall specify 2024 Bonds to be redeemed so as to maintain substantially level debt service on the Bonds) and within a maturity by lot in any manner which the Fiscal Agent deems appropriate.

Notice of Redemption. The Fiscal Agent will cause notice of any redemption to be mailed by first class mail, postage prepaid, or by such other means as is acceptable to the recipient thereof, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the Securities Depositories and to one or more Information Services, and to the respective registered Owners of any 2024 Bonds designated for redemption, at their addresses appearing on the Bond registration books maintained by the Fiscal Agent; but such mailing is not a condition precedent to redemption and failure to mail or to receive any such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of such 2024 Bonds.

The redemption notice will state the redemption date and the redemption price and, if less than all of the then Outstanding 2024 Bonds are to be called for redemption, will designate the CUSIP numbers and, if applicable, Bond numbers of the 2024 Bonds to be redeemed by giving the individual CUSIP number and, if applicable, Bond number of each Bond to be redeemed or if Bond numbers have been assigned by the Fiscal Agent to the 2024 Bonds will state that all 2024 Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the 2024 Bonds of one or more maturities have been called for redemption, will state as to any Bond called in part the principal amount thereof to be redeemed, and will require that such 2024 Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and will state that further interest on such 2024 Bonds will not accrue from and after the redemption date.

Notwithstanding the foregoing, in the case of any redemption of the 2024 Bonds pursuant to the redemption provisions described above under “– Optional Redemption” the notice of redemption may state that the redemption is conditioned upon receipt by the Fiscal Agent of sufficient moneys to redeem the 2024 Bonds on the anticipated redemption date, and that the redemption will not occur if by no later than the scheduled redemption date sufficient moneys to redeem the 2024 Bonds have not been deposited with the Fiscal Agent. In the event that the Fiscal Agent does not receive sufficient funds by the scheduled redemption date to so redeem the 2024 Bonds to be redeemed, the Fiscal Agent will send written notice to the owners of the 2024 Bonds, to the Securities Depositories and to one or more of the Information Services to the effect that the redemption did not occur as anticipated, and the 2024 Bonds for which notice of redemption was given will remain Outstanding for all purposes of the Fiscal Agent Agreement.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the 2024 Bonds so called for redemption have been deposited in the Bond Fund, such 2024 Bonds so called will cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the specified redemption date.

Tender of 2024 Bonds in Payment of Special Taxes. The Authority has covenanted in the Fiscal Agent Agreement not to permit the tender of Bonds in payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the Authority having insufficient Special Tax Revenues to pay the principal of and interest on the Bonds that will remain Outstanding following such tender.

Transfer or Exchange of 2024 Bonds

So long as the 2024 Bonds are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges of 2024 Bonds shall be made in accordance with DTC procedures. See Appendix G – “DTC and the Book-Entry Only System.” If the book-entry only system for the 2024 Bonds is ever discontinued, 2024 Bonds may, in accordance with its terms, be transferred or exchanged in Authorized Denominations by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such 2024 Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Fiscal Agent. Whenever any 2024 Bond or 2024 Bonds are surrendered for transfer or exchange, the Authority will execute and the Fiscal Agent will authenticate and deliver a new 2024 Bond or 2024 Bonds, for a like principal amount of 2024 Bonds of Authorized Denominations and of the same maturity. The Fiscal Agent will collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer or exchange.

No transfers or exchanges of 2024 Bonds will be required to be made (i) within the 15 days prior to the date designated by the Fiscal Agent as the date for selecting 2024 Bonds for redemption, (ii) with respect to any 2024 Bond after such 2024 Bond has been selected for redemption, or (iii) between a Record Date and the succeeding Interest Payment Date.

Discontinuance of DTC Services

DTC may determine to discontinue providing its services with respect to the 2024 Bonds by giving written notice to the Fiscal Agent during any time that the 2024 Bonds are Outstanding, and discharging its responsibilities with respect to the 2024 Bonds under applicable law. The Authority may terminate the services of DTC with respect to the 2024 Bonds if it determines that DTC is unable to discharge its responsibilities with respect to the 2024 Bonds or that continuation of the system of book-entry transfers through DTC is not in the best interest of the Beneficial Owners. The Authority will mail any such notice of termination to the Fiscal Agent.

Upon the termination of the services of DTC as provided in the previous paragraph, and if no substitute Depository willing to undertake the functions can be found which is willing and able to undertake such functions upon reasonable or customary terms, or if the Authority determines that it is in the best interest of the Beneficial Owners of the 2024 Bonds that they obtain certificated Bonds, the 2024 Bonds will no longer be restricted to being registered in the Registration Books of the Fiscal Agent in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names the Owners designate at that time, in accordance with the Fiscal Agent Agreement.

To the extent that the Beneficial Owners are designated as the transferees by the Owners, the 2024 Bonds will be delivered to such Beneficial Owners as soon as practicable in accordance with the Fiscal Agent Agreement.

Scheduled Debt Service

The following table shows the annual scheduled debt service on the 2024 Bonds, assuming no optional redemption of the 2024 Bonds and no redemption of the 2024 Bonds from Special Tax Prepayments:

| Bond Year ending September 1 | Principal | Interest | Total Annual Debt Service |
|---------------------------------|-----------|----------|------------------------------|
| 2024 | \$ | \$ | \$ |
| 2025 | | | |
| 2026 | | | |
| 2027 | | | |
| 2028 | | | |
| 2029 | | | |
| 2030 | | | |
| 2031 | | | |
| 2032 | | | |
| 2033 | | | |
| 2034 | | | |
| 2035 | | | |
| 2036 | | | |
| 2037 | | | |
| 2038 | | | |
| 2039 | | | |
| 2040 | | | |
| 2041 | | | |
| 2042 | | | |
| 2043 | | | |
| 2044 | | | |
| 2045 | | | |
| 2046 | | | |
| 2047 | | | |
| 2048 | | | |
| 2049 | | | |
| 2050 | | | |
| 2051 | | | |
| 2052 | | | |
| 2053 | | | |
| 2054 | | | |
| Totals | \$ | \$ | \$ |

(1) Indicates a mandatory sinking fund payment.

SECURITY FOR THE 2024 BONDS

General

Pursuant to the Fiscal Agent Agreement, the 2024 Bonds are secured by a first pledge of all of the Special Tax Revenues (other than, each Fiscal Year, a maximum of \$30,000 of Special Tax Revenues that may be deposited to the Administrative Expense Fund on a priority basis), and all moneys deposited in the Bond Fund (including the Capitalized Interest Account and the Special Tax Prepayments Account therein), the Reserve Fund and, until disbursed in accordance with the Fiscal Agent Agreement, the Special Tax Fund and the Delinquency Maintenance Fund. Special Tax Revenues including only the Special Tax A collected and received by the Authority and do not include penalties, if any, collected in respect of delinquent Special Taxes.

The Special Tax Revenues and all moneys deposited into said funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the 2024 Bonds in accordance with the Fiscal Agent Agreement until all of the 2024 Bonds have been paid or defeased.

Amounts in the Administrative Expense Fund, the accounts within the Improvement Fund and the Costs of Issuance Fund, and up to \$30,000 of the first Special Tax Revenues collected in any Fiscal Year that may be deposited to the Administrative Expense Fund on a priority basis, are not pledged to the repayment of the 2024 Bonds. The Improvements are not pledged as collateral for the 2024 Bonds. The proceeds of condemnation or destruction of any of the Improvements are not pledged to pay the Debt Service on the 2024 Bonds.

Limited Obligation

The 2024 Bonds are limited obligations of the Authority on behalf of the District and are payable solely from and secured solely by the revenues from the Special Tax A and the amounts in the Bond Fund (including the Capitalized Interest Account and the Special Tax Prepayments Account therein), the Reserve Fund, the Special Tax Fund and the Delinquency Maintenance Fund created pursuant to the Fiscal Agent Agreement. In the event that the Special Taxes are not paid when due, the only sources of funds available to repay the 2024 Bonds are amounts held by the Fiscal Agent under the Fiscal Agent Agreement in the Bond Fund, the Reserve Fund, the Special Tax Fund and the Delinquency Maintenance Fund, and the proceeds, if any, from foreclosure sales of parcels with delinquent Special Tax levies.

Special Taxes

In accordance with the provisions of the Act, the Rate and Method was approved in 2021 by the Developer, as the then owner of all of the property in the District. The Rate and Method is set forth in its entirety in Appendix B. The Rate and Method provides for the levy of a “**Special Tax A**” in order to fund the annual “**Special Tax A Requirement**,” which includes amounts needed to pay the debt service on the Bonds, to pay costs of administering the Bonds and the District, to replenish any draws on the Reserve Fund and to pay directly for costs of the Improvements. The Rate and Method also provides for the levy of a “**Special Tax B**” in order to fund the annual “**Special Tax B Requirement**,” which includes amounts needed to pay costs of services authorized to be funded by the District and to pay related administrative expenses, and the levy of a “**Special Tax C**” in order to fund the annual “**Special Tax C Requirement**,” and which effectively replaces Special Tax B following the payment or defeasance of the Bonds, and which includes amounts needed to pay costs of services authorized to be funded by the District and to pay related administrative expenses. See “INTRODUCTION—The District” and “SECURITY FOR THE 2024 BONDS – Summary of Rate and Method.”

Proceeds of the Special Tax B and the Special Tax C levied on Taxable Property in the District to satisfy the annual Special Tax B Requirement and the Special Tax C Requirement, respectively, are not pledged, and will not be used, to pay debt service on the 2024 Bonds; and the term “**Special Taxes**” when used in this Official Statement includes only the Special Tax A levied to satisfy the annual Special Tax A Requirement.

Under the Fiscal Agent Agreement, the Authority is obligated to fix and levy the amount of Special Taxes within the District required for the timely payment of principal of and interest on the outstanding Bonds becoming due and payable, including any necessary replenishment of the Reserve Fund and an amount estimated to be sufficient to pay a portion of the Administrative Expenses, taking into account any prepayments of Special Taxes previously

received by the Authority. The Special Taxes levied on any parcel of Taxable Property may not in any event exceed the maximum amount as provided in the Rate and Method and the Act.

The Special Taxes are payable and are to be collected in the same manner, at the same time and in the same installment as County ad valorem taxes on property levied on the secured tax roll are payable, and pursuant to the Act 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 taxes levied on the County secured tax roll. Notwithstanding the foregoing, the Special Taxes may be collected by means of direct billing of the property owners within the District, in which event the Special Taxes will become delinquent if not paid pursuant to such billing.

Although the Special Tax A, when levied, will constitute a lien on taxed parcels within the District, they do not constitute a personal indebtedness of the owners of the property within the District. Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of the Special Tax on a parcel of Taxable Property, the Authority may order the institution of a superior court action to foreclose the lien on the parcel of Taxable Property within specified time limits. In such an action, the real property subject to the unpaid amount of the Special Tax lien may be sold at judicial foreclosure sale. The Act provides that the Special Taxes are secured by a continuing lien that is subject to the same lien priority in the case of delinquency as *ad valorem* property taxes. See “SECURITY FOR THE 2024 BONDS—Summary of Rate and Method,” and “—Covenant for Superior Court Foreclosure” and “SPECIAL RISK FACTORS—Parity Taxes and Special Assessments.”

The property located within the District is subject to other liens for taxes and assessments, and other such liens could come into existence in the future. See “THE DISTRICT—Direct and Overlapping Government Obligations” and “SPECIAL RISK FACTORS—Parity Taxes and Special Assessments.” There is no assurance that any owner of a parcel subject to the Special Tax levy will be financially able to pay the annual Special Taxes or that it will pay such taxes even if financially able to do so. See “SPECIAL RISK FACTORS—Payment of Special Taxes is not a Personal Obligation.”

Special Tax Fund

Deposit of Special Tax Revenues. The Fiscal Agent Agreement establishes a Special Tax Fund to be held by the Fiscal Agent. Under the Fiscal Agent Agreement, the Authority is obligated to transfer or cause to be transferred to the Fiscal Agent, for deposit by the Fiscal Agent in the Special Tax Fund, as soon as practicable following receipt, all Special Tax Revenues (which include only proceeds of Special Tax A collected and received by the Authority), which amounts are to be deposited by the Fiscal Agent to the Special Tax Fund.

Notwithstanding the foregoing,

(i) the first Special Tax Revenues collected by the Authority in any Fiscal Year, in an amount equal to the portion of such Fiscal Year’s Special Tax levy for Administrative Expenses (but not to exceed, in any Fiscal Year, \$30,000) will be deposited by the Treasurer in the Administrative Expense Fund;

(ii) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes will be separately identified by the Treasurer and will be disposed of by the Fiscal Agent first, by transfer to the Bond Fund to pay any past due debt service on the Bonds; second, so long as the Delinquency Maintenance Fund has not been closed, by transfer to the Delinquency Maintenance Fund to the extent needed

to increase the amount then on deposit in the Delinquency Maintenance Fund up to the then DMF Requirement; third, by transfer to the Administrative Expense Fund to the extent that amounts in such fund were used to pay costs related to the collection of such delinquencies; fourth, by transfer to the Reserve Fund to the extent needed to increase the amount then on deposit in the Reserve Fund to the then Reserve Requirement; and fifth, to be held in the Special Tax Fund and used for its purposes;

(iii) any proceeds of Special Tax Prepayments will be remitted by the Treasurer to the Fiscal Agent for deposit by the Fiscal Agent in the Special Tax Prepayments Account and used to redeem Bonds; and

(iv) any Special Tax Revenues constituting the portion, if any, of the Special Tax A Requirement that is to pay directly for the acquisition or construction of any portion of the Improvements shall be separately identified by the Authority and shall be deposited by the Fiscal Agent in the Acquisition Account of the Improvement Fund established under the Fiscal Agent Agreement so long as the Acquisition Account of the Improvement Fund has not theretofore been closed, and if the Acquisition Account of the Improvement Fund has been closed, then such amount shall be retained by the Authority to be used to pay Improvement costs.

In addition to the foregoing, in the event that the Authority receives proceeds of Special Tax levies that constitute amounts that are not Special Tax Revenues (because they constitute penalties and/or interest excluded from the definition of Special Tax Revenues in the Fiscal Agent Agreement, if the amount then on deposit in the Delinquency Maintenance Fund is not an amount equal to the Maximum DMF Requirement, the Authority shall remit such amounts to the Fiscal Agent, for deposit by the Fiscal Agent in the Delinquency Maintenance Fund, until the amount in the Delinquency Maintenance Fund is at least equal to the then Maximum DMF Requirement.

Moneys in the Special Tax Fund will be held by the Fiscal Agent for the benefit of the Authority and the Owners of the Bonds, will be disbursed as provided below and, pending any disbursement, will be subject to a lien in favor of the Owners of the Bonds and the Authority.

Disbursements. On each Interest Payment Date, the Fiscal Agent will withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority:

(i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers under the Fiscal Agent Agreement from the accounts within the Improvement Fund, the Reserve Fund, the Capitalized Interest Account and the Special Tax Prepayments Account to the Bond Fund, such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date; and

(ii) to the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund, such that the amount in the Reserve Fund is equal to the Reserve Requirement.

In addition to the foregoing, if in any Fiscal Year there are sufficient funds in the Special Tax Fund to make the foregoing transfers to the Bond Fund and the Reserve Fund in respect of the Interest Payment Dates occurring in the Bond Year that commences in such Fiscal Year, the Treasurer may transfer any amount in the Special Tax Fund in excess of the amount needed to make such transfers to the Bond Fund and the Reserve Fund (i) to the Administrative Expense Fund, from time to time, if monies are needed to pay Administrative Expenses in excess of the

amount then on deposit in the Administrative Expense Fund; (ii) to such other fund or account established to pay debt service on or administrative expenses with respect to any bonds or other debt secured by a pledge of Special Tax Revenues subordinate to the pledge thereof under the Fiscal Agent Agreement; or (iii) to such other fund or account established by the Authority to be used for any lawful purpose under the Act and otherwise in accordance with the provisions of the Rate and Method.

Summary of Rate and Method

Special Tax Formula - Calculation of Annual Special Taxes. The Rate and Method is used to determine and allocate the amount of the Special Tax A, the Special Tax B and the Special Tax C that is needed to be collected each fiscal year among the Taxable Properties within the District, based upon the development status of the Taxable Property and its size, subject to a maximum tax rate that may be levied against each class of Taxable Property, and depending upon the “Zone” in which the property is located. The Rate and Method is set forth in full in Appendix B, and the following is a summary of the Rate and Method. Capitalized terms used, but not otherwise defined, in this section have the meanings given to them in the Rate and Method.

The Rate and Method provides that the Annual Special Tax A may be levied only so long as any Bonds are outstanding, provided that levies may continue if there are any delinquent Special Taxes in order to collect those delinquent amounts but not in any event later than Fiscal Year 2061-62. The annual Special Tax A was first levied on property in the District in Fiscal Year 2023-24. The Annual Special Tax B may only be levied on Developed Property, as described below, and may be levied so long as Authorized Services are being provided and shall not be levied during or after the Transition Year. The Special Tax C, for the Transition Year and each Fiscal Year thereafter, shall be levied in perpetuity so long as the Authorized Services are being provided.

Special Tax Requirements. Annually, at the time of levying the Special Tax, the Authority, with the assistance of a special tax administrator (currently Webb Municipal Finance, LLC), determines the amount of money to be collected from Taxable Property in the District (the “**Special Tax A Requirement**”), which will be the amount required in any Fiscal Year to pay the following: (i) the debt service or the periodic costs on all outstanding Bonds due in the Calendar Year that commences in such Fiscal Year, (ii) Administrative Expenses (apportioned between Special Tax A and Special Tax B), (iii) any amount required to establish or replenish any reserve funds established in association with the Bonds, and (iv) the collection or accumulation of funds for the acquisition or construction of Improvements or payment of fees authorized by the District by the levy on Developed Property of the Assigned Annual Special Tax A provided that the inclusion of such amount does not cause an increase in the levy of Special Tax A on Approved Property or Undeveloped Property as set forth in Step Two and Three described under the subheading “Method of Apportionment” below, less (v) any amount available to pay debt service or other periodic costs on the Bonds pursuant to the Fiscal Agent Agreement. The Authority, with the assistance of the special tax administrator, will also determine the amount of money to be collected from Taxable Property in the District (the “**Special Tax B Requirement**” and the “**Special Tax C Requirement**”), which will be the amount required in any Fiscal Year before and after the Transition Event, respectively, to pay for the municipal services the District is authorized to fund, as well as a share of the costs of administration of the District.

Classification of Property. The Rate and Method provides that for each Fiscal Year, all Assessor’s Parcels of Taxable Property within the District be classified as either Taxable Property or Exempt Property. Taxable Property is further classified as Developed Property,

Approved Property, Undeveloped Property, or Provisional Exempt Property. In addition, each Assessor's Parcel of Developed Property, Approved Property, Undeveloped Property and Provisional Exempt Property is classified as being within Zone 1, Zone 2 or Zone 3 of the District. If an Assessor's Parcel of Developed Property, Approved Property, Undeveloped Property or Provisional Exempt Property is located within more than one Zone, it is deemed to be entirely within the Zone in which the largest portion of its Acreage is located. In addition, each Assessor's Parcel of Developed Property is further classified as Residential Property, Multifamily Residential Property or Non-Residential Property. Assessor's Parcels of Residential Property are further categorized based on the Building Square Footage of each such Assessor's Parcel.

Under the Rate and Method, "**Developed Property**" includes all Assessor's Parcels of Taxable Property for which a Final Map was recorded as of the January 1 preceding the Fiscal Year for which the Special Tax levy is being made and a building permit for new construction was issued as of the April 1 preceding the Fiscal Year for which the Special Tax A, Special Tax B or Special Tax C are being levied and for which a building permit was issued on or before April 1st preceding the Fiscal Year in which any or all of the Special Taxes are levied. "**Undeveloped Property**" includes all Taxable Property not classified as Developed Property, Approved Property or Provisional Exempt Property. "**Approved Property**" includes all Assessor's Parcels of Taxable Property other than Provisional Exempt Property: (i) that are included in a Final Map that was recorded prior to the January 1st immediately preceding the Fiscal Year for which the Special Tax A is being levied, and (ii) that have not been issued a building permit on or before the April 1st immediately preceding the Fiscal Year for which the Special Tax A is being levied. "**Provisional Exempt Property**" includes all Assessor's Parcels of Taxable Property subject to Special Tax A that would otherwise be classified as Exempt Property pursuant to the provisions of the Rate and Method, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property within the applicable Zone below the required minimum Acreage for that Zone set forth in the Exempt Property section (Section P) of the Rate and Method.

All Taxable Property in the District is currently classified as Developed Property (as to 264 of the parcels of Taxable Property in the District), or Approved Property (as to 57 of the parcels of Taxable Property in the District). See Table 3 under the heading "THE DISTRICT—Value-to-District Lien Ratios – Value-to-District Lien Ratio Distribution." The Rate and Method also provides for a Backup Annual Special Tax A that is not currently relevant to the Taxable Property in the District.

Maximum Special Taxes. The Maximum Special Tax A for each Assessor's Parcel that is Residential Property, Multifamily Residential Property or Non-Residential Property in any Fiscal Year is the greater of (i) the Assigned Annual Special Tax A, or (ii) the Backup Annual Special Tax A. The Maximum Special Tax A for each Assessor's Parcel of Approved Property, Undeveloped Property or Provisional Exempt Property is the Assigned Annual Special Tax A. The Assigned Annual Special Tax A rates for the three Zones of the District and for the various categories of Taxable Property are set forth in Section D of the Rate and Method in Appendix B. For Fiscal Year 2024-25 the Assigned Special Tax A rates range from approximately \$2,173.94 annually per dwelling unit to approximately \$3,219.69 annually per dwelling unit depending upon the size of the home and the Zone in which the parcel is located, and from \$50,920 annually per parcel for Approved Property to approximately \$62,528 annually per acre for Approved Property depending upon the Zone in which such property is located. The Maximum Special Tax B for Fiscal Year 2024-25 for each Assessor's Parcel of Residential Property is \$540.51 per Unit, and the Maximum Special Tax C for Fiscal Year 2024-25 for each Assessor's Parcel of Residential Property is \$1,148.14 per Unit; however, the Special Tax C will not be levied until the Fiscal Year following the final maturity of the 2024 Bonds.

The Special Tax A is subject to annual increases each July 1 commencing July 1, 2022, by an amount equal to one percent (1%) of the amount in effect for the previous Fiscal Year. The Maximum Special Tax B and the Maximum Special Tax C are subject to annual increases each July 1, commencing July 1, 2022, by an amount equal to five and six-tenth percent (5.6%) of the amount in effect for the previous Fiscal Year; provided that, following the Transition Year, the Maximum Special Tax C shall increase each subsequent July 1 by an amount equal to the greater of three percent or the positive change in CPI over the amount in effect for the previous Fiscal Year all as determined by the CFD Administrator.

Method of Apportionment. The Rate and Method provides that for each Fiscal Year, the Board of Directors of the Authority will levy the Annual Special Tax A on all Taxable Property to fund the Special Tax A Requirement as follows:

First: The Annual Special Tax A shall be levied Proportionately on each Assessor's Parcel of Developed Property, up to 100% of the applicable Assigned Annual Special Tax A rates in Tables 1, 2 and 3 of Section D of the Rate and Method (which Section sets forth the Assigned Annual Special Tax rates for the three Zones within the District) to satisfy the Special Tax A Requirement;

Second: If additional moneys are needed to satisfy the Special Tax A Requirement after the first step, the Annual Special Tax A shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the applicable Assigned Annual Special Tax A to satisfy the Special Tax A Requirement;

Third: If additional moneys are needed to satisfy the Special Tax A Requirement after the first two steps have been completed, the Annual Special Tax A shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Assigned Annual Special Tax A for Undeveloped Property applicable to each such Assessor's Parcel as needed to satisfy the Special Tax A Requirement;

Fourth: If additional moneys are needed to satisfy the Special Tax A Requirement after the first three steps have been completed, the Annual Special Tax A on each Assessor's Parcel of Developed Property for which the Maximum Special Tax A is the Backup Annual Special Tax A (the Backup Annual Special Tax A is computed pursuant to Section E of the Rate and Method) shall be increased Proportionately from the Assigned Annual Special Tax A up to 100% of the Backup Annual Special Tax A as needed to satisfy the Special Tax A Requirement; and

Fifth: If additional moneys are needed to satisfy the Special Tax A Requirement after the first four steps have been completed, the Annual Special Tax A shall be levied Proportionately on each Assessor's Parcel of Provisional Exempt Property up to 100% of the Assigned Annual Special Tax A applicable to each such Assessor's Parcel as needed to satisfy the Special Tax A Requirement.

As previously stated, as of December 4, 2043 all Taxable Property in the District was classified as Developed Property (as to 264 of the parcels of Taxable Property in the District), or Approved Property (as to 57 of the parcels of Taxable Property in the District). See Table 3 under the heading "THE DISTRICT—Value-to-District Lien Ratios – Value-to-District Lien Ratio Distribution." The Rate and Method also provides for a Backup Annual Special Tax A that is not currently relevant to the Taxable Property in the District.

The Rate and Method provides that for each Fiscal Year, commencing with Fiscal Year 2021-22, the Authority shall levy the Special Tax B at up to 100% of the applicable Maximum Special Tax B Proportionately on each Assessor's Parcel of Developed Property until the amount of Special Tax B equals the Special Tax B Requirement. For the Transition Year and each Fiscal Year thereafter, the Authority shall levy the Special Tax C at up to 100% of the applicable Maximum Special Tax C, Proportionately on each Assessor's Parcel of Developed Property until the amount of Special Tax C equals the Special Tax C Requirement.

Notwithstanding the above, the Act effectively provides that under no circumstances will the Special Tax A, the Special Tax B or the Special Tax C levied against any Assessor's Parcel used as a private residence be increased as a consequence of delinquency or default by the owner of any other Assessor's Parcel or Assessor's Parcels within the District by more than ten percent (10%) per Fiscal Year.

Prepayment in Full. The Special A Tax obligation applicable to an Assessor's Parcel of Developed Property, or Approved Property for which a Building Permit has been issued, or Approved Property for which a Building Permit has not been issued, may be fully prepaid and the obligation of the Assessor's Parcel to pay the Special Tax A permanently satisfied as described in Section G of the Rate and Method, provided that a prepayment may be made only if there are no delinquent Special Tax A with respect to the Assessor's Parcel. The Prepayment Amount for Special Tax A for an applicable Assessor's Parcel is calculated based on Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount and other costs, all as specified in Section G of the Rate and Method. Any such prepayment will result in a redemption of Bonds prior to maturity. See "THE 2024 BONDS—Redemption – Mandatory Redemption From Special Tax Prepayments." In addition, the Act authorizes a public agency which acquires property subject to the Special Tax A to prepay the Special Tax A so long as the Authority determines the prepayment arrangement will fully protect the interests of the owners of the Bonds. The Special Tax B and the Special Tax C are not subject to prepayment.

Prepayment in Part. The Special A Tax on an Assessor's Parcel of Developed Property, Approved Property or Undeveloped Property may be partially prepaid. The amount of any such partial prepayment will be calculated pursuant to Section H of the Rate and Method. Any such prepayment will result in a redemption of Bonds prior to maturity. See "THE 2024 BONDS—Redemption – Mandatory Redemption From Special Tax Prepayments." The Maximum Special Tax B and the Special Tax C are not subject to partial prepayment.

Projected Fiscal Year 2024-25 Assigned Special Tax A Levy. Table 1 below sets forth the projected Assigned Special Tax A levy for Fiscal Year 2024-25 for the various classes of Taxable Property within the several Tax Zones of the District. Table 1 also shows the projected Fiscal Year 2024-25 Assigned Special Tax A levy as a percentage of the total projected Special Tax levy for each Tax Zone.

Table 1
Temecula Public Financing Authority
Community Facilities District No. 20-01 (Heirloom Farms)
Fiscal Year 2024-25 Assigned Special Tax A

| Land Use | Residential Floor Area | No. of Parcels ⁽¹⁾ | Appraised Value ⁽¹⁾ | Projected Fiscal Year 2024-25 Special Tax per Unit ^{(2),(4)} | Projected Total Fiscal Year 2024-25 Special Tax Levy ^{(3),(4)} | Percent of Total Projected Fiscal Year 2024-25 Special Taxes ^{(3),(4)} |
|----------------------|--------------------------------|----------------------------------|-----------------------------------|--|--|--|
| <u>Tax Zone 1</u> | | | | | | |
| Residential Property | Less than 1,801 sq. ft. | 29 | \$14,219,351 | \$3,003 | \$87,096 | 11.39% |
| Residential Property | 1,801 sq. ft. to 2,000 sq. ft. | 31 | 14,607,468 | 3,112 | 96,457 | 12.61 |
| Residential Property | Greater than 2,000 sq. ft. | 30 | 14,981,429 | 3,220 | 96,591 | 12.63 |
| Approved Property | N/A | 21 | 3,303,757 | 50,920 | 42,831 | 5.60 |
| <u>Tax Zone 2</u> | | | | | | |
| Residential Property | Less than 1,551 sq. ft. | 38 | 10,796,574 | \$2,174 | \$82,610 | 10.80% |
| Residential Property | 1,551 sq. ft. to 1,750 sq. ft. | 38 | 12,698,431 | 2,380 | 90,440 | 11.83 |
| Residential Property | Greater than 1,750 sq. ft. | 38 | 12,146,574 | 2,483 | 94,355 | 12.34 |
| Approved Property | N/A | 36 | 4,335,012 | 74,120 | 29,833 | 3.90 |
| <u>Tax Zone 3</u> | | | | | | |
| Residential Property | Less than 1,601 sq. ft. | 30 | 9,576,702 | \$2,344 | \$70,318 | 9.20% |
| Residential Property | 1,601 sq. ft. or Greater | 30 | 10,056,702 | 2,473 | 74,182 | 9.70 |
| Totals | | 321 | \$106,722,000 | | \$764,713 | 100.00% |

(1) Appraised valuation as of December 4, 2023, as reported in the Appraisal Report.

(2) Reflects per acre rate for parcels of Approved Property.

(3) Based upon principal amount of the 2024 Bonds and includes priority administration in the amount of \$30,000.

(4) Preliminary, subject to change.

Source: Webb Municipal Finance, LLC

Delinquency Maintenance Fund

The Special Tax A was first levied on property in the District in Fiscal Year 2023-24, with the first installment of Special Tax A delinquent if not paid by December 10, 2023. As of December 10, 2023 of the total \$192,436.24 of Special Tax A delinquent if not paid by December 10, 2023, 38 parcels were delinquent in payment of an aggregate of \$46,592.95 of Special Tax A, or a 24.21% delinquency rate. The Developer indicates that the majority of these delinquencies appear to relate to homes that were conveyed to individual homeowners between April and September 2023. Further, the Developer indicates that the property tax bills for 31 of these properties were received by the Developer's corporate headquarters in Arizona and not forwarded to the new homeowners. The Developer has since sent communication to the homeowners reminding them of the need to pay their property taxes.

To address the current relatively elevated level of delinquencies, the Fiscal Agent Agreement establishes a Delinquency Maintenance Fund as a separate fund to be held by the Fiscal Agent, to the credit of which a deposit of \$_____ shall be made on the Closing Date, which is equal to the initial DMF Requirement, and deposits shall be made as provided in the Fiscal Agent Agreement. The DMF Requirement is approximately equal to percentage of the aggregate semiannual Special Tax levy for fiscal year 2023-24 that was delinquent if not paid by December 10, 2024 and remained delinquent as of February 12, 2024. Moneys in the Delinquency Maintenance Fund will be held therein by the Fiscal Agent for the benefit of the owners of the Bonds, and are subject to a lien in favor of the owners of the Bonds.

Under the Fiscal Agent Agreement, amounts will be deposited from time to time to the Delinquency Maintenance Fund, as needed to increase the amount on deposit therein to the

amount of the DMF Requirement, from proceeds of collections of delinquent Special Taxes, including (i) the portion of such delinquent Special Taxes included in the definition of Special Tax Revenues in the Fiscal Agent Agreement (being the amount equal to a portion of the scheduled principal on the Special Tax Bonds included in the delinquent Special Tax installment together with interest at the rate of interest payable on the Special Tax Bonds) after use of such portion, if any, needed to pay any past due amounts then owing on the Special Tax Bonds; and (ii) that portion that does not constitute Special Tax Revenues because it constitutes penalties and/or interest in excess of the amount described in the preceding clause (i). See “SECURITY FOR THE 2024 BONDS—Special Tax Fund.” In addition, investment earnings on amounts in the Delinquency Maintenance Fund will be retained therein until the amount then on deposit therein is equal to the DMF Requirement.

Whenever the amount in the Bond Fund is insufficient to pay the principal of, premium, if any, and interest on the Special Tax Bonds on any Interest Payment Date due to a deficiency in the Bond Fund, the Fiscal Agent shall transfer the amount so needed from the Delinquency Maintenance Fund to the Bond Fund, prior to any draw on the Reserve Fund for such purpose.

In addition to the foregoing, on any date, upon the receipt by the Fiscal Agent of an Officer's Certificate requesting the same, the Fiscal Agent shall transfer to the Acquisition Account of the Improvement Fund any amount specified in such Officer's Certificate from the Delinquency Maintenance Fund so long as the amount to remain in the Delinquency Maintenance Fund following such withdrawal is at least equal to the DMF Requirement.

At such time as an Authorized Officer files a certificate with the Fiscal Agent to the effect that (i) all of the 321 homes in the District have been sold to individual homebuyers, and (ii) the Special Tax delinquency rate as of the most recent June 30 is not greater than five percent (5%), the Fiscal Agent shall transfer all amounts then in the Delinquency Maintenance Fund to the Acquisition Account of the Improvement Fund, and the Delinquency Maintenance Fund shall be closed.

Reserve Fund

The Fiscal Agent Agreement establishes a debt service reserve fund (the “**Reserve Fund**”) as a separate fund to be held by the Fiscal Agent for the benefit of the Owners of the Bonds, as a reserve for the payment of principal of, and interest and any premium on, the Bonds. Moneys in the Reserve Fund are subject to a lien in favor of the Owners of the Bonds. The Reserve Fund is required by the Fiscal Agent Agreement to be maintained in an amount equal to the **Reserve Requirement**, which is defined in the Fiscal Agent Agreement, as of any date of calculation, as an amount equal to the least of (i) the then Maximum Annual Debt Service, (ii) 125% of the then average Annual Debt Service, or (iii) 10% of the principal amount of the then Outstanding Bonds under the Fiscal Agent Agreement. The Reserve Requirement as of the date of issuance of the 2024 Bonds will be \$_____, and will be funded with a portion of the proceeds of the 2024 Bonds. See “PLAN OF FINANCING—Estimated Sources and Uses of Funds.”

Except as otherwise provided in the Fiscal Agent Agreement (with respect to the use of moneys in the Reserve Fund in connection with prepayments of Special Taxes, for the payment of any rebate liability due to the federal government, and the use of moneys in excess of the Reserve Requirement to pay debt service on the Bonds), all amounts deposited in the Reserve Fund will be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the Bonds, but only if a deficiency still exists following any transfer from the Delinquency

Maintenance Fund for that purpose. See Appendix C – “Summary of Fiscal Agent Agreement – Reserve Fund.”

Whenever the balance in the Reserve Fund equals or exceeds the amount required to redeem or pay all of the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent will transfer the amount in the Reserve Fund to the Bond Fund to be used for the payment and redemption of all of the Outstanding Bonds. In the event that the amount transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund will be retained by the Authority, free of any encumbrance by the Fiscal Agent Agreement, to be used for any lawful purpose under the Act. Notwithstanding the foregoing, no amounts will be transferred from the Reserve Fund until after (i) amounts in the Reserve Fund are withdrawn for purposes of making a rebate payment to the federal government in accordance with the Fiscal Agent Agreement, and (ii) payment of any fees and expenses due to the Fiscal Agent. See Appendix C – “Summary of Fiscal Agent Agreement – Reserve Fund.”

Covenant for Superior Court Foreclosure

Foreclosure Under the Act. Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of the Special Tax on the taxed parcel, the Authority may order the institution of a superior court action to foreclose the lien on the taxed parcel within specified time limits. In such an action, the real property subject to the unpaid amount of the Special Tax lien may be sold at judicial foreclosure sale.

Authority Foreclosure Covenant. The Authority has covenanted for the benefit of the Bondowners that on or about June 15 of each Fiscal Year, the Treasurer shall compare the amount of Special Tax A theretofore levied in the District to the amount of Special Tax Revenues theretofore received by the Authority, and following such determination: (a) if, as of any June 15, the Treasurer determines that any single parcel subject to the Special Tax in the District is delinquent in the payment of Special Taxes in the aggregate amount of \$7,500 or more, the Treasurer will send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner, and if the delinquency remains uncured foreclosure proceedings will be commenced by the Authority against the delinquent parcel within 90 days of the sending of such notice; and (b) if the Treasurer determines that, as of any June 15, the total amount of delinquent Special Tax for the then current Fiscal Year for the entire District (including the total of delinquencies under subsection (a) above), exceeds 5% of the total Special Tax A due and payable for the then current Fiscal Year, the Treasurer shall promptly notify or cause to be notified property owners who are then delinquent in the payment of Special Tax A (and demand immediate payment of the delinquency), and the Authority shall commence foreclosure proceedings within 90 days after the notices of delinquency have been sent.

Notwithstanding the foregoing, the Treasurer may defer any mailing of notices of delinquency or foreclosure action if (i) the amount in the Reserve Fund is at least equal to the Reserve Requirement, and (ii) the amounts then on deposit in the Special Tax Fund and the Bond Fund are sufficient to pay the scheduled debt service due on the Bonds on the succeeding September 1 and March 1 without the need for any draw on the Reserve Fund. See Appendix C – “Summary of the Fiscal Agent Agreement.”

No assurance can be given as to the time necessary to complete any foreclosure sale or that any foreclosure sale will be successful. The Authority is not required to be a bidder at any foreclosure sale and does not intend to be such a bidder.

Sufficiency of Foreclosure Sale Proceeds; Foreclosure Limitations and Delays. No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. Subject to the maximum rates, the Rate and Method is designed to generate from all non-exempt property within the District the current year's debt service, administrative expenses, and replenishment of the Reserve Fund to the Reserve Requirement, including an amount reflecting the prior year's delinquencies. However, if foreclosure proceedings are necessary, and the Reserve Fund has been depleted, there could be a delay in payments to owners of the 2024 Bonds pending prosecution of the foreclosure proceedings and receipt by the Authority of the proceeds of the foreclosure sale. See "SPECIAL RISK FACTORS—Bankruptcy Delays" and "—Proceeds of Foreclosure Sales." No assurance can be given that a foreclosure action in respect of delinquent Special Taxes will result in the collection of the Special Taxes.

The ability of the Authority to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the obligee in the event the property is owned by or in receivership of a Federal agency. See "SPECIAL RISK FACTORS—FDIC/Federal Government Interests in Properties."

No assurances can be given that a judicial foreclosure action, once commenced, will be completed or that it will be completed in a timely manner. If a judgment of foreclosure and order of sale is obtained, the judgment creditor (the Authority for the District) must cause a Notice of Levy to be issued. Under current law, a judgment debtor (property owner) has 120 days from the date of service of the Notice of Levy in which to redeem the property to be sold, which period may be shortened to 20 days for parcels other than those on which a dwelling unit for not more than four persons is located. If a judgment debtor fails to redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such an action, a foreclosure sale is set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made (Section 701.680 of the California Code of Civil Procedure). The constitutionality of the aforementioned legislation, which repeals the former one-year redemption period, has not been tested; and there can be no assurance that, if tested, such legislation will be upheld.

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. However, under Section 53356.6 of the Act, the Authority, as judgment creditor, is entitled to purchase any property sold at foreclosure using a "credit bid," where the Authority could submit a bid crediting all or part of the amount required to satisfy the judgment for the delinquent amount of the Special Tax. If the Authority becomes the purchaser under a credit bid, the Authority must pay the amount of its credit bid into the redemption fund established for the 2024 Bonds, but this payment may be made up to 24 months after the date of the foreclosure sale. Neither the Act nor the Fiscal Agent Agreement requires the Authority to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale, and the Authority has no intent to be such a purchaser.

No Teeter Plan

Collection of the Special Taxes is not subject to the "Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds," as provided for in Section 4701 et seq.

of the California Revenue and Taxation Code (known as the “Teeter Plan”). Accordingly, collections of Special Taxes will reflect actual delinquencies, if any.

Investment of Moneys

Except as otherwise provided in the Fiscal Agent Agreement, all moneys in any of the funds or accounts established pursuant to the Fiscal Agent Agreement will be invested by the Fiscal Agent solely in Permitted Investments, as directed by the Authority. See Appendix C – “Summary of the Fiscal Agent Agreement” for a definition of “**Permitted Investments**” and for additional provisions regarding the investment of funds held under the Fiscal Agent Agreement.

Issuance of Additional Bonds

General. The Fiscal Agent Agreement authorizes the Authority to issue one or more series of “**Parity Bonds**” secured and payable on a parity under the Fiscal Agent Agreement with the 2024 Bonds. Subject to meeting the conditions summarized below (including that the Parity Bonds be Refunding Bonds), the Parity Bonds will be secured by a lien on the Special Tax Revenues and funds pledged for the payment of the Bonds under the Fiscal Agent Agreement on a parity with all other Bonds Outstanding under the Fiscal Agent Agreement (the Fiscal Agent Agreement defines “**Bonds**” as the 2024 Bonds and any future Parity Bonds).

The Authority may issue the Parity Bonds subject to the following specific conditions precedent, as set forth in the Fiscal Agent Agreement:

(A) *Current Compliance.* The Authority must be in compliance in all material respects on the date of issuance of the Parity Bonds with all covenants set forth in the Fiscal Agent Agreement and all Supplemental Agreements, and the principal amount of the Parity Bonds must not cause the Authority to exceed the maximum authorized indebtedness of the District under the provisions of the Act.

(B) *Payment Dates.* The interest on the Parity Bonds must be payable on March 1 and September 1, and principal of the Parity Bonds must be payable on September 1 in any year in which principal is payable (provided that there is no requirement that any Parity Bonds pay interest on a current basis).

(C) *Funds and Accounts; Reserve Fund Deposit.* The Supplemental Agreement providing for the issuance of such Parity Bonds may provide for the establishment of separate funds and accounts, and shall provide for a deposit to the Reserve Fund (or to a separate account created for such purpose) in an amount necessary so that the amount on deposit in the Reserve Fund (together with the amount in any such separate account), following the issuance of such Parity Bonds, is at least equal to the Reserve Requirement.

(D) *Refunding Bonds.* The Parity Bonds must be Refunding Bonds.

(E) *Officer’s Certificate.* The Authority shall deliver to the Fiscal Agent an Officer’s Certificate certifying that the conditions precedent to the issuance of such Parity Bonds set forth in paragraphs (A), (B), (C) and (D) above have been satisfied. In delivering such Officer’s Certificate, the Authorized Officer that executes the same may conclusively rely upon such certificates of the Fiscal Agent, the Tax Consultant and others selected with due care, without the need for independent inquiry or certification.

The term “**Refunding Bonds**” is defined in the Fiscal Agent Agreement as bonds issued by the Authority for the District the net proceeds of which are used to refund all or a portion of the then Outstanding Bonds; provided that the debt service on the Refunding Bonds in any Bond Year is not in excess of the debt service on the Bonds being refunded and the final maturity of the Refunding Bonds is not later than the final maturity of the Bonds being refunded.

Subordinate Bonds. Nothing in the provisions described above will prohibit the Authority from issuing bonds or otherwise incurring debt secured by a pledge of Special Tax Revenues subordinate to the pledge of the Special Tax Revenues under the Fiscal Agent Agreement.

THE DISTRICT

Location and General Description of the District

The District includes approximately 28 acres of residential land in the City currently identified as “Heirloom Farms.” The District is located in the northern portion of the City. The District is bounded by Murietta Hot Springs Road, State Highway 79, Anza Road and Interstate Highway 15. Heirloom Farms is expected to include at buildout 210 attached and 111 detached single family homes with three different product types, as well as a clubhouse, community pool and childrens play area. See “THE DISTRICT—Heirloom Farms.”

The property in the District is being developed and the homes in the District are being constructed by the Developer (see “THE DISTRICT—The Developer”). For the current status of the development of the property in the District, see “THE DISTRICT—Heirloom Farms.”

The following page contains an aerial photo of the District.

TEMECULA PUBLIC FINANCING AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 20-01
(HEIRLOOM FARMS)



History of the District

In order to raise funds to finance the Improvements that will result in an offset of capital improvement fees levied on the homes being constructed in the District, or otherwise needed for the development of the property in the District, the Developer petitioned the Authority in February of 2021 to form the District. On February 23, 2021, the Board of Directors of the Authority adopted Resolution Nos. TPFA 2021-01 and TPFA 2021-02 of intention to form the District and to incur up to \$17,000,000 of bonded indebtedness of the Authority for the District.

On March 16, 2021, the Authority entered into a Joint Community Facilities Agreement with the City related to certain of the Improvements and the Services authorized to be funded by the District but to be owned and provided, respectively, by the City for the District. On March 16, 2021 the Authority, the Developer and the School District entered into a Joint Community Facilities Agreement relating to certain public school facilities constituting a portion of the Improvements to be financed by the District but to be owned by the School District. On March 17, 2021 the Authority, the Developer and the Water District entered into a Joint Community Facilities Agreement with respect to certain of the Improvements to be financed by the District but to be owned upon completion by the Water District. The three Joint Community Facilities Agreements (collectively, the "JCFAs") effectively provide that the Developer will receive credit against capital improvement impact fees imposed by the City, the School District and the Water District, respectively, on homes being constructed by the Developer in the amount of any Bond proceeds allocated to the respective public agency for capital improvements to be designated and constructed by the respective public agency.

Following the adoption by the Board of Directors of the Authority of resolutions of intention for the District, and the execution of the three JCFAs, on April 13, 2021, the Authority held a public hearing regarding the formation of, and the issuance of bonds for, the District. Following the public hearing, also on April 13, 2021, the Board of Directors of the Authority adopted Resolution No. TPFA 21-03 forming the District, Resolution No. TPFA 21-04 determining the necessity to issue up to \$17,000,000 of special tax bonds for the District, and Resolution No. TPFA 21-05 calling a special election regarding the formation of the District and the issuance of the special tax bonds for the District.

The election was held on April 13, 2021 at which the Developer, as the then sole owner of the property in the District, voted in favor of the formation of the District, the levy of Special Tax A, Special Tax B and Special Tax C on property in the District, and the issuance by the Authority of special tax bonds for the District. On April 22, 2021, a Notice of Special Tax Lien was recorded in the Riverside County Recorder's Office against the property in the District, and on April 27, 2021 the Board of Directors of the Authority adopted Ordinance No. TPFA 2021-01 levying Special Tax A, Special Tax B and Special Tax C on the property in the District.

On February 13, 2024, the City Council held a public hearing regarding the issuance by the Authority of the 2024 Bonds. Following the public hearing, the City Council adopted a Resolution pursuant to which it found that significant public benefits will arise from the use of the proceeds of the 2024 Bonds to finance costs of the Improvements and it approved the issuance of the 2024 Bonds by the Authority. Also on February 13, 2024, the Board of Directors of the Authority adopted a Resolution authorizing the issuance of the 2024 Bonds, and approved the execution and delivery of the Fiscal Agent Agreement. The Fiscal Agent Agreement provides the terms of the 2024 Bonds.

The Improvements

As previously mentioned under the heading “PLAN OF FINANCING – Overview – Funding for Improvements,” the Authority entered into the Acquisition Agreement with the Developer pursuant to which the Authority agreed to use a portion of the proceeds of the 2024 Bonds to finance costs of Improvements some of which are to be constructed by the Developer, and the Authority entered into the JCFA’s to provide for the financing from 2024 Bond proceeds for Improvements that are to be constructed and owned by the City, the School District and the Water District.

The District is authorized to finance all or a portion of the costs of the following facilities:

- The acquisition and construction of: streets (including paving, aggregate base, striping and traffic marking, sidewalks, curbs, gutters and driveways), including Temecula Center Drive and Ynez Road within and in the vicinity of the District; stormwater drainage systems (including storm drain lines, inlets, outlets, channels, structures, junctions, manholes, catch basins and related dewatering); street light improvements (including light fixtures, substructures, conduits and service points of connection); and street signage (including traffic, stop and street name signs).

The foregoing are to include the acquisition of any related right-of-way and other land needed for the installation of any such improvements, demolition of existing structures and site leveling needed for the installation of any such improvements, erosion control, and other appurtenances.

- The acquisition and installation of traffic signal improvements, including traffic signal interconnection and video surveillance systems, at the intersection of Ynez Road and Temecula Center Drive.
- Landscaping improvements in the public right of way along or in the vicinity of Temecula Center Drive, Date Street and Ynez Road, including related appurtenances.
- Capital improvements included in the City of Temecula’s adopted Capital Improvement Program for Fiscal Years 2021-2025.
- School improvements to be designated by the School District, which may include construction of buildings, equipping of school facilities, and acquisition of support and other appurtenances with a useful life of five years or more.
- Sewer system improvements to be designated by the Water District.

The Improvements include, as applicable, the acquisition of right-of-way, the costs of design, engineering and planning, the costs of any environmental or traffic studies, surveys or other reports, the cost of any required environmental mitigation and any required noise mitigation measures, landscaping and irrigation, soils testing, permits, plan check and inspection fees, insurance, legal and related overhead costs, coordination and supervision and any other costs or appurtenances related to any of the foregoing.

It is expected that, shortly after the issuance of the 2024 Bonds, amounts in the City Account, the School District Account and the Water District Account of the Improvement Fund will be transferred to the City, the School District and the Water District, respectively, to finance capital improvements to be identified by each of them, and credits against development impact

fees imposed by each of them will be provided to the Developer in respect of the homes being constructed by it in the District, or rebates to the Developer will be made in respect of any such fees previously paid by the Developer.

Otherwise, the Developer estimates that the total projected costs of the Improvements eligible to be funded by the District under the Acquisition Agreement are approximately \$1,470,000, and only \$_____ of the proceeds of the 2024 Bonds to be deposited to the Acquisition Account of the Improvement Fund, and possibly amounts transferred from the Delinquency Maintenance Fund to the Acquisition Account of the Improvement Fund (see "SECURITY FOR THE 2024 BONDS—Delinquency Maintenance Fund"), will be available to pay costs of the Improvements. See "PLAN OF FINANCING—Estimated Sources and Uses of Funds." Under the Acquisition Agreement, costs of Improvements specified therein in excess of available amounts in the Acquisition Account of the Improvement Fund from the proceeds of the 2024 Bonds to be deposited therein (see "PLAN OF FINANCING—Overview – Funding for Improvements" are the responsibility of the Developer.

No assurance can be given that construction of the Improvements required to be constructed under the Acquisition Agreement or otherwise needed for the buildout of the District will be completed as currently expected, or that the costs of the Improvements will be as currently estimated.

Heirloom Farms

The property in the District includes a development known as Heirloom Farms. Heirloom Farms, with approximately 28 gross acres, which is expected to include at buildout 321 homes, a clubhouse, community pool and childrens play area. The three product types in Heirloom Farms include Sultana with 150 three story attached townhomes, Crimson with 60 two story attached townhomes, and Valiant with 111 three story detached motor court homes.

The Developer acquired the property in the development for \$18,000,000 on January 1, 2021, and recorded a final map creating the 321 parcels in the development in October of 2021.

The next page contains the site plan for the development, including the locations of the three product types in the development.

SITE PLAN FOR THE DEVELOPMENT

Site Plan



Site development activities were commenced by the Developer in August, 2021, and home construction began on August 8, 2022. As of December 4, 2023, the date of value in the Appraisal Report, the Developer has advised that all lots are in finished or near finished condition, and that it had obtained building permits for 264 of the 321 homes to be constructed in the development.

The development has a homeowners association. According to the Developer, the base dues imposed by the homeowner’s association to be paid by the homeowners are \$145 per unit per month. Both Sultana and Crimson homeowners have additional homeowner’s association fees (associated with a cost center specific to each project) of \$135 and \$131 per unit per month, respectively, which equates to a total homeowner’s association fee of \$280 per unit per month in Sultana and \$276 per unit per month in Crimson. The total homeowner’s association fee for Valiant is \$145 per unit per month.

Summary of Status of Development. A summary of the status of development of the proposed 321 homes being constructed by the Developer in the District as of the December 4, 2023 date of value of the Appraisal Report (see “INTRODUCTION—Land Valuation” below and “THE DISTRICT—Property Values”) is provided below, along with an update on the status of the development as of January 15, 2024.

Summary of Status of Development in the District

| | as of December 4, 2023 | as of January 15, 2024 |
|---|---------------------------|---------------------------|
| lots with homes sold and conveyed to homebuyers | 118 | 146 |
| lots with completed homes | 0 | 0 |
| lots with model homes | 12 | 12 |
| lots with homes under construction | 122 | 100 |
| lots with construction not yet started | <u>69</u> | <u>63</u> |
| Total Lots | 321 | 321 |

Status of Home Construction and Sales. The homes currently being constructed by the Developer in the District range from approximately 1,387 square feet for a Sultana townhome to approximately 2,155 square feet for a Valiant motor court home. The first conveyance of a home in Sultana occurred in April 2023, in Crimson in March 2023 and in Valiant in February 2023. As of December 4, 2023, base sales prices for Sultana range from \$489,000 to \$569,000, for Crimson range from \$554,000 to \$579,000 and for Valiant range from \$619,000 to \$680,000.

The status of the three product types currently being developed by the Developer as of December 4, 2023 is as follows:

Sultana:

- 42 Completed homes sold and conveyed to individual home buyers
- 6 Models owned by the Developer
- 0 Completed Homes owned by the Developer
- 54 Homes under construction (14 in escrow)
- 48 Lots without any vertical home construction (12 with building permits)
- 150 Total planned Sultana units

Crimson:

| | |
|----------|---|
| 20 | Completed homes sold and conveyed to individual home buyers |
| 4 | Models owned by the Developer |
| 0 | Completed Homes owned by the Developer |
| 36 | Homes under construction (20 in escrow) |
| <u>0</u> | Lots without any vertical home construction |
| 60 | Total planned Crimson units |

Valiant:

| | |
|-----------|---|
| 56 | Completed homes sold and conveyed to individual home buyers |
| 2 | Models owned by the Developer |
| 0 | Completed Homes owned by the Developer |
| 32 | Homes under construction (12 in escrow) |
| <u>21</u> | Lots without any vertical home construction |
| 111 | Total planned Valiant units |

Between December 4, 2023 and January __, 2024, the Developer completed and conveyed ___ additional homes in the Sultana product line, ___ additional homes in the Crimson product line and ___ additional homes in the Valiant product line, for a total of ___ homes conveyed to individual homeowners. As of January ____, 2024, a total of ___ building permits had been issued for homes in the District. The Developer currently expects to close out sales of the Sultana homes in April of 2025, to close out of sales of the Crimson homes in June of 2024 and to close out of sales of the Valiant homes in October of 2024.

As of December 4, 2023, the Developer had expended approximately \$68,514,305 on land acquisition costs, site improvement costs, direct and indirect home construction costs, permit and impact fees, and sales and marketing costs related to its development within the District. As of December 4, 2023, the Developer anticipated expending approximately \$44,211,136 in additional site improvement costs, direct and indirect home construction costs, permit and impact fees, and sales and marketing costs to complete its development within the District, with \$34,002,037 of such additional cost allocated to home construction costs.

No assurance can be given that home construction and sales will be completed as currently anticipated, or that the home construction and sale plans or base prices will not change from those in effect as of December 4, 2023. The Developer may change their development plans at any time without notice. Additionally, homes sold may not result in closed escrows as sales contracts are subject to cancellation.

The Developer

The information provided in this section has been included because it may be considered relevant to an informed evaluation and analysis of the 2024 Bonds and the District. No assurance can be given, however, that the Developer will or will not retain ownership of the property within the District not yet sold to homebuyers. There may be material adverse changes in this information after the date of the Official Statement. Neither the 2024 Bonds nor any of the Special Tax are personal obligations of any property owner within the District and, in the event that any property owner defaults in the payment of its Special Tax, the Authority may proceed with judicial foreclosure but has no direct recourse to the assets of any property owner or any affiliate thereof. The 2024 Bonds are secured solely by the Special Tax Revenues and amounts on deposit in certain of the funds and accounts maintained by the Fiscal Agent under the Fiscal Agent Agreement. See "SPECIAL RISK FACTORS" for a discussion of certain of the risk factors that should be considered in evaluating the investment quality of the 2024 Bonds. The following information has been provided by the Developer. No representation is

made by the Authority or the Underwriter as to the accuracy or adequacy of such information so provided.

The Developer. Meritage Homes of California, Inc., a California corporation (previously defined as the “Developer”) 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 addresses and references to filings with the SEC are included for reference only, and the information on these Internet sites are not a part of this Official Statement and are not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on these Internet sites. Neither of the Developer nor Meritage Home Corporation is obligated to advance funds to pay for development or construction costs 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 2024 Bonds.

Financing Plan. To date, the Developer has financed its land acquisition, site development and home construction costs related to its property in the District through internally generated funds, including cash generated from its homebuilding operations. The Developer expects to use internally generated funds, including cash generated from its homebuilding operations, along with proceeds of the 2024 Bonds, to complete development of its property in the District.

Although the Developer expects to have sufficient funds available to complete the proposed development in the District, there can be no assurance that amounts necessary to fund the remaining planned development of the property within the District will be available to the Developer when needed. Neither the Developer, nor any of its related entities, is under any legal obligation of any kind to expend funds for the development of the property in the District, or the payment of ad valorem property taxes or

the Special Taxes. Any contributions by the Developer or any other entity or person to fund the costs of such development are entirely voluntary.

Impact of Economic Conditions on the Development in the District. Certain events and factors which negatively affect the regional, State and national economies could have an adverse effect on the pace at which the Developer is able to complete and sell homes and demand by and the ability of individuals to purchase homes within the District. Such events and factors could include a renewed increase in inflation and interest rates, possible supply chain issues, further impacts of the COVID-19 pandemic and global market instability caused by the wars in Ukraine and in Israel. Any adverse impact of the foregoing and other economic factors on the projects in the District and the real estate market in general cannot be predicted.

Mortgage Interest Rates. Most of the purchasers of the Developer's homes finance their acquisitions with mortgage financing. As such, rising interest rates, decreased availability of mortgage financing or of certain mortgage programs, higher down payment requirements or increased monthly mortgage costs could have a negative impact on the estimated absorption rates of the Developer's planned for-sale homes in the District. Further, a combination of higher mortgage rates, delays in construction stemming from delays in the supply chain, homebuyers' inability to sell their existing homes and adverse changes in local, regional or national economic conditions, among other factors, could contribute to an increase in the Developer's rate of home order cancellations. An increase in the level of such cancellations could similarly have a negative impact on the estimated absorption rates of the Developer's planned for-sale homes in the District.

Property Values

The value of the property in the District is an important factor in determining the investment quality of the 2024 Bonds. If a property owner defaults in the payment of the Special Tax A, the Authority's primary remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax A. The Special Tax A is not a personal obligation of the owners of the property. A variety of economic, political, and natural occurrences incapable of being accurately predicted can affect property values. See "SPECIAL RISK FACTORS – Property Value."

Integra Realty Resources, Sacramento, California (the "**Appraiser**") has prepared the Appraisal Report dated January 22, 2024 estimating the market value of the 321 lots within the District that are subject to the Special Tax A securing the 2024 Bonds (the "**Appraised Property**"). The Appraiser concluded in the Appraisal Report that the market value of the Appraised Property as of December 4, 2023 was \$106,722,000, including \$70,060,000 allocable to the 118 homes in the District sold to homeowners, and \$36,662,000 to the 203 properties owned by the Developer, subject to various assumptions described in the Appraisal Report. See "THE DISTRICT—Property Values." The appraised value of \$106,722,000 is approximately 8.56* times the \$12,470,000* initial principal amount of the 2024 Bonds.

The Appraisal Report, a complete copy of which is set forth in Appendix H to this Official Statement, is subject to various assumptions and limiting conditions, and the Appraisal Report should be read in its entirety by prospective purchasers of the 2024 Bonds.

The Appraisal Report does not take into account possible future liens or indebtedness which may be imposed by the City or by other public entities. The Authority has not covenanted, and in many instances does not have the legal ability, to restrict other entities from

* Preliminary, subject to change.

imposing indebtedness, which may be secured by a lien on the Taxable Property in the District which is on a parity with the Special Tax. See “THE DISTRICT – Direct and Overlapping Governmental Obligations” and “SPECIAL RISK FACTORS – Parity Taxes and Special Assessments.” A number of economic, political, and natural occurrences may adversely affect the value of the property as expressed in the Appraisal Report. See “SPECIAL RISK FACTORS.”

The value of individual parcels of the Taxable Property varies significantly, and no assurance can be given that should Special Taxes levied on one or more of the parcels become delinquent, and should the delinquent parcels be offered for sale at a judicial foreclosure sale, that any bid would be received for the property or, if a bid is received, that such bid would be sufficient to pay such parcel’s delinquent Special Taxes. See “THE DISTRICT—Value-to-District Lien Ratios,” “SPECIAL RISK FACTORS—Property Value” and “SPECIAL RISK FACTORS—Insufficiency of Special Taxes.”

Land Use Distribution

The following Table 2 shows the Tax Zones and the distribution of land use classes of the Taxable Property within the District based on the Rate and Method, the appraised value of the 321 County Assessor’s parcels in the District as of December 4, 2023, the estimated Special Tax levy for fiscal year 2024-25 for each land use class of each Tax Zone, the percentage of the overall Special Tax levy by land use class and the aggregate value-to-lien ratio for the respective land use classes.

Table 2
Temecula Public Financing Authority
Community Facilities District No. 20-01
(Heirloom Farms)
Projected Fiscal Year 2024-25
Special Tax Levy for Taxable Property by Tax Zone and Land Use

| Land Use | Residential Floor Area | No. of Parcels | Appraised Value ⁽¹⁾ | Projected Total Fiscal Year 2024-25 Special Tax Levy ^{(2),(3)} | Percent of Total Projected FY 2024-25 Special Taxes ⁽³⁾ | 2024 Bonds ⁽³⁾ | Aggregate Value-to-Lien ⁽³⁾ |
|----------------------|--------------------------------|----------------|--------------------------------|---|--|---------------------------|--|
| Tax Zone 1 | | | | | | | |
| Residential Property | Less than 1,801 sq. ft. | 29 | \$14,219,351 | \$87,096 | 11.39% | \$1,420,264 | 10.01:1 |
| Residential Property | 1,801 sq. ft. to 2,000 sq. ft. | 31 | 14,607,468 | 96,457 | 12.61 | 1,572,900 | 9.29:1 |
| Residential Property | Greater than 2,000 sq. ft. | 30 | 14,981,429 | 96,591 | 12.63 | 1,575,084 | 9.51:1 |
| Approved Property | N/A | 21 | 3,303,757 | 42,831 | 5.60 | 698,439 | 4.73:1 |
| Tax Zone 2 | | | | | | | |
| Residential Property | Less than 1,551 sq. ft. | 38 | 10,796,574 | \$82,610 | 10.80% | \$1,347,096 | 8.01:1 |
| Residential Property | 1,551 sq. ft. to 1,750 sq. ft. | 38 | 12,698,431 | 90,440 | 11.83 | 1,474,782 | 8.61:1 |
| Residential Property | Greater than 1,750 sq. ft. | 38 | 12,146,574 | 94,355 | 12.34 | 1,538,626 | 7.89:1 |
| Approved Property | N/A | 36 | 4,335,012 | 29,833 | 3.90 | 486,485 | 8.91:1 |
| Tax Zone 3 | | | | | | | |
| Residential Property | Less than 1,601 sq. ft. | 30 | 9,576,702 | \$70,318 | 9.20% | \$1,146,661 | 8.35:1 |
| Residential Property | 1,601 sq. ft. or Greater | 30 | 10,056,702 | 74,182 | 9.70 | 1,209,664 | 8.31:1 |
| Totals | | 321 | \$106,722,000 | \$764,713 | 100.00% | \$12,470,000 | 8.56:1 |

(1) Assessed/ Appraised valuation as of December 4, 2023, as reported in the Appraisal Report.

(2) Based upon debt service due on the 2024 Bonds and includes priority administration in the amount of \$30,000.

(3) Preliminary, subject to change.

Source: Webb Municipal Finance, LLC

Value-to-Lien Ratios

General Information Regarding Value-to-Lien Ratios. The value-to-lien ratio on bonds secured by special taxes will generally vary over the life of those bonds as a result of changes in the value of the property that is security for the special taxes and the principal amount of the bonds.

In comparing the appraised value of the real property within the District and the principal amount of the 2024 Bonds, it should be noted that an individual parcel may only be foreclosed upon to pay delinquent installments of the Special Taxes attributable to that parcel. The principal amount of the 2024 Bonds is not allocated among the parcels within the District based on their appraised or assessed values; rather, the total Special Tax A will be allocated among the parcels within the District according to the Rate and Method.

Economic and other factors beyond the property owners' control, such as economic recession, deflation of land values, financial difficulty or bankruptcy by one or more property owners, or the complete or partial destruction of Taxable Property caused by, among other possibilities, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the District. See "SPECIAL RISK FACTORS—Property Value" and "Bankruptcy Delays."

Assessed Valuation. The valuation of real property in the Authority for ad valorem tax purposes is established by the County Assessor. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIII A of the California Constitution. Article XIII A of the California Constitution defines “full cash value” as the appraised value as of March 1, 1975, plus adjustments not to exceed 2% per year to reflect inflation, and requires assessment of “full cash value” upon change of ownership or new construction. Because the construction of homes in the District is ongoing, any assessed valuations presented in this Official Statement may not necessarily be representative of the actual market value of the property in the District as of any particular date.

Value-to-Lien Ratio Distribution. Table 3 below shows the projected fiscal year 2023-24 Special Tax levy, an allocation of the aggregate appraised value of the property by property owner, the allocation of the principal amount of the 2024 Bonds, and the estimated debt to allocated appraised value ratios for the parcels in the District, all based on the status of the parcels in the District as of December 4, 2023. See “THE DISTRICT—Heirloom Farms,” and “—The Developer” for more information regarding the status of ownership and development of parcels in the District as of December 4, 2023.

Table 3
Temecula Public Financing Authority
Community Facilities District No. 20-01
(Heirloom Farms)
Estimated Value to Lien Ratios by Development Status and Property Owner

| Property Owner ⁽¹⁾ | Parcels | Maximum Special Tax | Percent of Maximum Special Tax | Projected Fiscal Year 2024-25 Special Tax Levy ^{(2),(4)} | Percent of Projected Fiscal Year 2024-25 Special Tax Levy ⁽⁴⁾ | Appraised Value | 2024 Bonds ^{(3),(4)} | Appraised Value-to-Lien ⁽⁴⁾ |
|-------------------------------|---------|---------------------|--------------------------------|---|--|-----------------|-------------------------------|--|
| Developed Individual | 118 | \$344,367 | 40.51% | \$321,031 | 41.98% | \$70,060,000 | \$5,234,990 | 13.38:1 |
| Developed Meritage Homes | 146 | 385,077 | 45.30 | 371,017 | 48.52 | 29,023,231 | 6,050,086 | 4.80:1 |
| Subtotal Developed | 264 | \$729,444 | 85.81% | \$692,048 | 90.50% | \$99,083,231 | \$11,285,076 | 8.78:1 |
| Approved Meritage Homes | 57 | \$120,596 | 14.19% | \$72,664 | 9.50% | \$7,638,769 | \$1,184,924 | 6.45:1 |
| Subtotal Approved | 57 | \$120,596 | 14.19% | \$72,664 | 9.50% | \$7,638,769 | \$1,184,924 | 6.45:1 |
| Totals | 321 | \$850,040 | 100.00% | \$764,713 | 100.00% | \$106,722,000 | \$12,470,000 | 8.56:1 |

(1) Based upon ownership information and development status as of December 4, 2023.

(2) Based upon the debt service requirement of the 2024 Bonds and includes priority administration in the amount of \$30,000.

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

(4) Preliminary, subject to change.

Source: Webb Municipal Finance, LLC

Of the 57 parcels of Approved Property, as of December 4, 2023, 36 are to be developed with the Sultana product and 21 with the Valiant product. See “THE DISTRICT—Heirloom Farms – Summary of Development” and “—Status of Home Construction and Sales” for more information regarding the developments in the District.

The following Table 4 sets forth the distribution of appraised value-to-District lien ratios among the 321 parcels of Taxable Property based on the parcels that existed, and their appraised values, as of December 4, 2023, the projected fiscal year 2024-25 Special Tax levy and the principal amount of the 2024 Bonds.

Table 4
Temecula Public Financing Authority
CFD No. 20-01 (Heirloom Farms)
Assessed Value to Lien Ratios

| Appraised Value to Lien | No. of Parcels | Appraised Value ⁽¹⁾ | Projected FY 2024-25 Levy ⁽⁵⁾ | Percent of Total Projected FY 2024-25 Levy ⁽⁵⁾ | 2024 Bonds ^{(2),(5)} | Aggregate Value-to-Lien ⁽⁵⁾ |
|-------------------------------------|----------------|--------------------------------|--|---|-------------------------------|--|
| Less than 4.00:1 ⁽³⁾ | 63 | \$10,638,158 | \$175,110 | 22.90% | \$2,855,480 | 3.73:1 |
| Between 4.00:1 and 7.99:1 | 98 | 15,681,332 | 214,632 | 28.07 | 3,499,961 | 4.48:1 |
| Between 8.00:1 and 11.99:1 | 30 | 3,612,510 | 24,117 | 3.15 | 393,266 | 9.19:1 |
| Greater than 11.99:1 ⁽⁴⁾ | 130 | 76,790,000 | 350,854 | 45.88 | 5,721,292 | 13.42:1 |
| Total | 321 | \$106,722,000 | \$764,713 | 100.00% | \$12,470,000 | 8.56:1 |

- (1) Appraised valuation as of December 4, 2023, as reported in the Appraisal.
(2) Allocation is based upon the projected FY 2024-25 Special Tax Levy and includes \$30,000 in priority administration expenses.
(3) Lowest estimated Value-to-Lien is 2.97:1.
(4) Highest estimated Value-to-Lien is 14.38:1.
(5) Preliminary, subject to change.
Source: Webb Municipal Finance, LLC

All of the parcels with less than a 4.00:1 Appraised Value to Lien ratio are categorized as Developed Property under the Rate and Method (see “SECURITY FOR THE 2024 BONDS—Summary of Rate and Method – Classification of Property”), but may have had very little vertical construction underway as of December 4, 2023.

Special Tax Delinquencies

The Special Tax A was first levied on property in the District in Fiscal Year 2023-24, with the first installment of Special Tax A delinquent if not paid by December 11, 2023. As of December 11, 2023, of the total \$192,436.24 of Special Tax A delinquent if not paid by December 11, 2023, 37 parcels were delinquent in payment of an aggregate of \$45,432.59 of Special Tax A, or a 23.61% delinquency rate. As of February 12, 2024, of the 37 previously delinquent parcels the owners of _____ parcels had cured the delinquencies, leaving an aggregate of \$_____ in delinquent Special Tax A payments or a _____% delinquency rate.

According to the Developer, the current _____ delinquencies appear to all relate to homes conveyed by the Developer to individual homeowners between April 6, 2023 and September 29, 2023. During that same time period, the Developer closed a total of 90 homes. Typically, the homeowner is credited in escrow for the Developer’s share of an estimated or actual annual real property tax bill based upon the portion of the year the particular assessor’s parcel was owned by the Developer. However, depending upon when a home is conveyed and how long it takes the County to reflect the change of ownership on the tax roll, the County may send the property tax bill to the prior owner and not the new homeowner. The specific cause of each of the current delinquencies cannot be determined. However, in the case of the 37 delinquent parcels in the District as of December 11, 2023, the Developer has determined 31 of the Fiscal Year 2023 24 property tax bills were sent by the County to the Developer’s corporate office in Arizona prior to November 1, 2023 and they were not then forwarded to the applicable homeowners. It has not been the Developer’s common practice to forward property tax bills to the new homeowners in any of its new neighborhoods in Riverside County and the Developer has indicated it has not seen as many delinquencies in the other districts as have been experienced with respect to the December 11, 2023 payments in this District. The Developer has now mailed notices to each homeowner whose assessor’s parcel appears to be delinquent with a copy of the parcel’s real property tax bill obtained from the County website. The notice reminds

the homeowner of the need to pay the bill when due and reminds them to contact their mortgagor to make the required payment if the property taxes have been impounded by the mortgagor. The Developer has also indicated it will adopt a post closing procedure for future home closings in this District to forward property tax bills they receive from the County relating to closed homes to the homeowner with a reminder to pay the bill on or prior to the delinquency date of each installment.

Direct and Overlapping Governmental Obligations

Taxes, Charges and Assessments. The base ad valorem secured property tax rate on property in the District is 1.00% (including ad valorem tax overrides). Property in the District is also subject, or will be subject, to certain annual charges and assessments (which are billed to property owners on a semi-annual basis). See “THE DISTRICT—Sample Tax Bill” below for a list of public agencies that currently levy annual charges and assessments on property in the District.

Overlapping Public Debt. The District is located within the boundaries of certain local agencies, other than the Authority, that provide public services and assess property taxes, assessments, special taxes and other charges on the property in the District. Some of these local agencies have outstanding debt.

The current and estimated direct and overlapping obligations affecting the property in the District are shown in the following Table 5. The table was prepared by the Special Tax Consultant and is included for general information purposes only. Neither the Authority nor the Underwriter has reviewed this report for completeness or accuracy and they make no representation in connection therewith.

Table 5
Temecula Public Financing Authority
Community Facilities District No. 20-01
(Heirloom Farms)
Direct and Overlapping Bonded Debt

| | | | | | | |
|---|------|----------------------------|-----------------------|---------------------------------|-----------|-----------------------------|
| I. APPRAISED VALUE | | | | | | |
| Appraised Valuation ⁽¹⁾ | | | | | | \$106,722,000 |
| II. LAND SECURED BOND INDEBTEDNESS | | | | | | |
| Outstanding Direct and Overlapping Bonded Debt | Type | Total Parcels Levied | Issued | Outstanding | % | Amount Applicable |
| TPFA CFD No. 20-01 (Heirloom Farms) | CFD | 321 | \$12,470,000 | \$12,470,000 ^{(2),(7)} | 100.000% | \$12,470,000 ⁽⁷⁾ |
| TOTAL OUTSTANDING LAND SECURED BONDED DEBT | | | | | | \$12,470,000 |
| Authorized and Unissued Direct and Overlapping Bonded Debt | Type | Total Parcels Levied | Authorized | Unissued | % | Amount Applicable |
| The District | CFD | 321 | \$17,000,000 | \$0 ⁽³⁾ | 100.000% | \$0 |
| TOTAL UNISSUED LAND SECURED INDEBTEDNESS | | | | | | \$0 |
| TOTAL OUTSTANDING AND UNISSUED LAND SECURED INDEBTEDNESS ⁽⁴⁾ | | | | | | \$12,470,000 ⁽⁷⁾ |
| III. GENERAL OBLIGATION BOND INDEBTEDNESS | | | | | | |
| Outstanding Direct and Overlapping Bonded Debt | Type | Total Parcels Levied | Issued | Outstanding | % | Amount Applicable |
| Temecula Valley Unified School B & I (0.02389%) | GO | 321 | \$172,747,035 | \$159,434,716 | 0.056480% | \$90,049 |
| MT San Jacinto Comm College (0.01320%) | GO | 321 | 295,000,000 | 242,210,000 | 0.013549 | 32,817 |
| Metropolitan Water East (0.00350%) | GO | 321 | 850,000,000 | 19,215,000 | 0.000456 | 88 |
| EMWD Improvement District U-8 (0.00150%) | GO | 321 | 16,000,000 | 2,934,000 | 0.077787 | 2,282 |
| RCWD Rancho Division (0.30000%) ⁽⁶⁾ | REV | 321 | 320,035,000 | 239,189,998 | 0.073017 | 174,649 |
| TOTAL OUTSTANDING GENERAL OBLIGATION BONDED DEBT | | | | | | \$299,885 |
| Authorized and Unissued Direct and Overlapping Indebtedness | Type | Total Parcels Levied | Authorized | Unissued | % | Amount Applicable |
| Temecula Valley Unified School B & I (0.02389%) | GO | 321 | \$230,000,000 | \$57,252,965 | 0.056480% | \$32,336 |
| MT San Jacinto Comm College (0.01320%) | GO | 321 | 295,000,000 | 0 | 0.013549 | 0 |
| Metropolitan Water East (0.00350%) | GO | 321 | 850,000,000 | 0 | 0.000456 | 0 |
| EMWD Improvement District U-8 (0.00150%) | GO | 321 | 16,000,000 | 0 | 0.077787 | 0 |
| RCWD Rancho Division (0.30000%) ⁽⁶⁾ | REV | 321 | 320,035,000 | 0 | 0.073017 | 0 |
| TOTAL UNISSUED GENERAL OBLIGATION INDEBTEDNESS | | | | | | \$32,336 |
| TOTAL OUTSTANDING AND UNISSUED GENERAL OBLIGATION INDEBTEDNESS ⁽⁴⁾ | | | | | | \$332,221 |
| TOTAL OF ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT | | | | | | \$12,769,885 ⁽⁷⁾ |
| TOTAL OF ALL OUTSTANDING AND UNISSUED DIRECT AND OVERLAPPING INDEBTEDNESS | | | | | | \$12,802,221 ⁽⁷⁾ |
| IV. Ratios to Appraised Valuation | | | | | | |
| Outstanding Land Secured Bonded Debt | | | 8.56:1 ⁽⁷⁾ | | | |
| Outstanding Direct and Overlapping Bonded Debt | | | 8.36:1 ⁽⁷⁾ | | | |

- (1) Appraised valuation as of December 4, 2023, as reported in the Appraisal Report.
 - (2) Amount Outstanding is equal to the initial par amount of the 2024 Bonds.
 - (3) Additional bonds may be issued for refunding purposes only.
 - (4) Additional bonded debt or available bond authorization may exist but is not shown because a tax was not levied for Fiscal Year 2023-24.
 - (5) Percentage applicable determined by Fiscal Year 2023-24 Equalized Roll Assessed Value information.
 - (6) RCWD Rancho Division is assessed at 0.30000% of land assessed value only.
 - (7) Preliminary, subject to change.
- Source: Webb Municipal Finance, LLC

Sample Tax Bill

Table 6 below provides, for an average parcel of Taxable Property under the Rate and Method, the expected property tax bill that would be received by an owner of the property for fiscal year 2024-25, based on the projected Special Tax levy for that fiscal year.

Table 6
Temecula Public Financing Authority
CFD No. 20-01 (Heirloom Farms)
Average Fiscal Year 2024-25 Tax Obligation⁽¹⁾
For Individually-Owned Parcels of Developed Property

| | |
|---|-------------------|
| Average Home Value ⁽²⁾ | \$593,729 |
| Ad Valorem Property Taxes: | |
| Basic Levy (1.0000%) | \$5,937.29 |
| Temecula Valley Unified School B & I (0.02389%) | 141.84 |
| MT San Jacinto Comm College (0.01320%) | 78.37 |
| Metropolitan Water East (0.00350%) | 20.78 |
| EMWD Improvement District U-8 (0.00150%) | 8.91 |
| RCWD Rancho Division (0.30000%) ⁽³⁾ | 445.30 |
| Total General Property Taxes | <u>\$6,632.49</u> |
| Assessment, Special Taxes & Parcel Charges: | |
| EMWD Infrastructure Availability Charge | \$11.60 |
| Flood Control Stormwater/Cleanwater | 3.60 |
| Temecula Parks/Lighting Services | 74.44 |
| Temecula Residential Street Lights | 25.68 |
| Temecula Trash/Recycling | 356.24 |
| TPFA CFD 01-02 Harveston Services | 115.18 |
| MWD Standby East | 6.94 |
| Temecula Perimeter Landscaping Zone 24 | 100.00 |
| TPFA CFD No. 20-01 Services ⁽⁴⁾ | 540.50 |
| TPFA CFD No. 20-01 Facilities ⁽⁴⁾ | 2,720.61 |
| Total Assessment Charges | <u>\$3,954.79</u> |
| Average Total Property Tax | \$10,587.27 |
| Average Effective Tax Rate | 1.78% |

(1) Average fiscal year 2024-25 tax rates based upon fiscal year 2024-25 Overlapping Taxes and Assessment Rates.

(2) Average Projected Home Value is based upon average Appraised Values for parcels of Developed Property.

(3) Rancho Water Rancho Division is assessed at 0.30000% of land assessed value only.

(4) Reflects average projected fiscal year 2024-25 District Special Tax A and Special Tax B for parcels of Developed Property.

Source: Webb Municipal Finance, LLC

THE AUTHORITY

The Temecula Public Financing Authority was established pursuant to a Joint Exercise of Powers Agreement, dated April 10, 2001 (the “**JPA Agreement**”), by and between the City and the Agency. The JPA was entered into pursuant to the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California. The Authority was formed for the primary purpose of assisting in the financing and refinancing of public capital improvements in the City. As of May 1, 2016, the JPA Agreement was amended to provide for the withdrawal of the Successor Agency to the Agency

as a member of the Authority, and to add the Temecula Community Services District and the Temecula Housing Authority as members of the Authority.

The Authority is administered by a five-member Board of Directors, which currently consists of the members of the City Council of the City. The Authority has no independent staff. The Executive Director of the Authority is the City Manager of the City, and the Treasurer of the Authority is the City's Chief Financial Officer. The Executive Director administers the day-to-day affairs of the Authority, and the Treasurer has custody of all money of the Authority from whatever source.

SPECIAL RISK FACTORS

The following is a description of certain risk factors affecting the District, the property owners in the District, the parcels subject to the levy of Special Taxes and the payment of and security for the 2024 Bonds. The following discussion of risks is not meant to be a complete list of the risks associated with the purchase of the 2024 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following factors along with all other information in this Official Statement in evaluating the investment quality of the 2024 Bonds. There can be no assurance that other risk factors will not become material in the future.

No General Obligation of the Authority or the District

The Authority's obligations under the 2024 Bonds and under the Fiscal Agent Agreement are limited obligations of the Authority on behalf of the District and are payable solely from and secured solely by the Special Tax Revenues and amounts in the Special Tax Fund, the Bond Fund and the Reserve Fund. The 2024 Bonds are neither general or special obligations of the Authority nor general obligations of the District, but are limited obligations of the Authority for the District payable solely from the revenues and funds pledged therefor and under the Fiscal Agent Agreement. None of the faith and credit of the District, the Authority or the State of California or of any of their respective political subdivisions is pledged to the payment of the 2024 Bonds.

Property Value

The value of land within the District is a critical factor in determining the investment quality of the 2024 Bonds. If a landowner defaults in the payment of the Special Tax, the only legal remedy is the institution of a superior court action to foreclose on the delinquent Taxable Property in an attempt to obtain funds with which to pay the Special Tax.

The value of the taxable parcels in the District could be adversely affected by economic factors beyond the Authority's control, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of residential property in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; and (iii) natural disasters (including, without limitation, wildfire, earthquakes and floods), which may result in uninsured losses. See "SPECIAL TAX FACTORS—Natural Disasters."

No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay the delinquent Special Tax installment. Although the Act authorizes the Authority to cause such an action to be

commenced and diligently pursued to completion, the Act does not specify any obligation of the Authority with regard to purchasing or otherwise acquiring any lot or parcel of property sold at the foreclosure sale in any such action if there is no other purchaser at such sale. The Authority is not obligated and does not expect to be a bidder at any such foreclosure sale. See “SPECIAL TAX FACTORS—Proceeds of Foreclosure Sale.”

Concentration of Ownership

As of December 4, 2023, the Developer owned 203 of the 321 parcels in the District not yet with completed sales to homebuyers. See “THE DISTRICT—The Developer.” The lack of diversity in the obligation to pay the Special Tax represents a significant risk to the owners of the 2024 Bonds. Failure of the Developer to pay the annual Special Tax A when due could result in a default in payments of the principal of, and interest on, the 2024 Bonds. See “SPECIAL RISK FACTORS—Insufficiency of Special Tax Revenues” below.

Government Approvals

Development within the District is contingent upon the completion, and acceptance by various public agencies, of infrastructure improvements, as well as the issuance by the City of building and other ministerial permits for homes to be constructed in the District. The failure to commence and complete the required infrastructure improvements and to obtain any such permits in a timely manner could adversely affect land development within the District.

Payment of the Special Tax is not a Personal Obligation

The owners of the parcels in the District are not personally obligated to pay the Special Tax A. Rather, the Special Tax is an obligation that is secured only by a lien against the parcels on which it is levied. If the value of the taxable parcels is not sufficient to secure fully the payment of the Special Tax A, the Authority has no recourse against the property owners.

FDIC/Federal Government Interests in Properties

General. The ability of the District to foreclose the lien of delinquent unpaid Special Tax A installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the “FDIC”), the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

Federal courts have held that, based on the supremacy clause of the United States Constitution, in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest.

The supremacy clause of the United States Constitution reads as follows: “This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding.”

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Tax A within the District but does not pay taxes and assessments levied on the parcel (including Special Tax A), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association ("FNMA") is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

FDIC. In the event that any financial institution making any loan which is secured by real property within the District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the District to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Tax A may be limited.

The FDIC's policy statement regarding the payment of state and local real property taxes (the "**Policy Statement**") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-ad valorem taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Act and a rate and method of apportionment which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit has issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from special taxes levied pursuant to the Act.

The Authority is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the District in which the FDIC has or obtains an ownership interest, although prohibiting the lien of the Special Taxes to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Delinquency Maintenance Fund and, if fully depleted, a draw on the Reserve Fund and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the 2024 Bonds.

Exempt Properties

Certain properties are exempt from the Special Tax A in accordance with the Rate and Method. In addition, the Act provides that properties or entities of the state, federal or local government are exempt from the Special Tax A; provided, however, that property within the District acquired by a public entity through a negotiated transaction, or by gift or devise, that is not otherwise exempt from the Special Tax A, will continue to be subject to the Special Tax A. It is possible that property acquired by a public entity following a tax sale or foreclosure based upon failure to pay taxes could become exempt from the Special Tax A. In addition, the Act provides that if property subject to the Special Tax A is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax A with respect to that property, for outstanding Bonds only, is to be treated as if it were a special assessment. The constitutionality and operation of these provisions of the Act have not been tested.

In particular, insofar as the Act requires payment of the Special Tax A by a federal entity acquiring property within the District, it may be unconstitutional (see “SPECIAL RISK FACTORS—FDIC/Federal Government Interests in Properties”). If for any reason property within the District becomes exempt from taxation by reason of ownership by a nontaxable entity such as the federal government or another public agency, subject to the limitation of the Maximum Special Tax A, the Special Tax A will be reallocated to the remaining taxable properties within the District. This would result in the owners of such property paying a greater amount of the Special Tax A and could have an adverse impact upon the timely payment of the Special Tax A. Moreover, if a substantial portion of land within the District becomes exempt from the Special Tax A because of public ownership, or otherwise, the maximum rate that could be levied upon the remaining acreage might not be sufficient to pay principal of and interest on the 2024 Bonds when due and a default would occur with respect to the payment of such principal and interest.

Parity Taxes and Special Assessments

The Special Taxes and any penalties thereon will constitute liens against the taxable parcels in the District until they are paid. Such lien is on a parity with all special taxes and special assessments levied by other agencies and is coequal to and independent of the lien for general property taxes regardless of when they are imposed upon the taxable parcel. The Special Tax B, not pledged to the payment of the 2024 Bonds, is collected with, and secured by the same lien that secures the payment of, the Special Tax A. The Special Taxes have priority over all existing and future private liens imposed on the property. The Authority, however, has no control over the ability of other entities and districts to issue indebtedness secured by special taxes or assessments payable from all or a portion of the taxable parcels within the District subject to the levy of Special Tax A. In addition, the landowners within the District may, without the consent or knowledge of the District, petition other public agencies to issue public indebtedness secured by special taxes or assessments, and any such special taxes or assessments may have a lien on such property on a parity with the Special Tax A. The imposition of additional indebtedness could reduce the willingness and the ability of the property owners within the District to pay the Special Tax A when due. See “THE DISTRICT—Direct and Overlapping Governmental Obligations.”

Insufficiency of Special Taxes

In order to pay debt service on the 2024 Bonds, it is necessary that the Special Tax A levied against taxable parcels within the District be paid in a timely manner. The Authority has established the Reserve Fund in an amount equal to the Reserve Requirement to pay debt

service on the Bonds to the extent Special Taxes are not paid on time and other funds are not available. See “SECURITY FOR THE 2024 BONDS—Reserve Fund” and Appendix C – “Summary of the Fiscal Agent Agreement—Reserve Fund.” Under the Fiscal Agent Agreement, the Authority has covenanted to maintain in the Reserve Fund an amount equal to the Reserve Requirement; subject, however, to the limitations that (i) the Authority may not levy the Special Tax A in any fiscal year at a rate in excess of the Maximum Special Tax A rates permitted under the Rate and Method and (ii) per the Act, under no circumstances will the Special Tax A levied against any Assessor’s Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor’s Parcel within the District. See “SECURITY FOR THE 2024 BONDS—Summary of Rate and Method – Special Tax Formula – Calculation of Annual Special Taxes.” Consequently, if a delinquency occurs, the Authority may be unable to replenish the Delinquency Maintenance Fund to the DMF Requirement and the Reserve Fund to the Reserve Requirement due to the limitation of the Maximum Special Tax A rates. If such defaults were to continue in successive years, the Delinquency Maintenance Fund and the Reserve Fund could be depleted and a default on the Bonds would occur if proceeds of a foreclosure sale did not yield a sufficient amount to pay the delinquent Special Taxes.

The Authority has made certain covenants regarding the institution of foreclosure proceedings to sell any property with delinquent Special Taxes in order to obtain funds to pay debt service on the Bonds. See “SECURITY FOR THE 2024 BONDS—Covenant for Superior Court Foreclosure.” If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of delinquent Special Taxes to protect its security interest.

Tax Delinquencies

Under provisions of the Act, the Special Tax A, from which funds necessary for the payment of principal of, and interest on, the 2024 Bonds are derived, are being billed to the taxable parcels within the District on the regular property tax bills sent to owners of the parcels. Such Special Tax A installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Special Tax A installment payments cannot be made separately from Special Tax B and property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax A installment payments in the future. See “SECURITY FOR THE 2024 BONDS—Reserve Fund” and “—Covenant for Superior Court Foreclosure” for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Fiscal Agent Agreement, in the event of delinquency in the payment of Special Tax A installments. See also “THE DISTRICT—Special Tax Delinquencies” for historical Special Tax delinquency history.

Also, as noted under “SECURITY FOR THE 2024 BONDS—Summary of Rate and Method,” the Act provides that under no circumstances will the Special Tax A levied against any Parcel used as a private residence be increased as a consequence of delinquency or default by the owner of any other Parcel or Parcels within the District by more than ten percent (10%) per Fiscal Year.

Bankruptcy Delays

The payment of the Special Tax and the ability of the Authority to commence a superior court action to foreclose the lien of a delinquent unpaid Special Tax A, as discussed in “SECURITY FOR THE 2024 BONDS—Covenant for Superior Court Foreclosure,” may be

limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State of California relating to judicial foreclosure. Legal opinions to be delivered concurrently with the delivery of the 2024 Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the Special Tax A to become extinguished, bankruptcy of a property owner or any other person claiming an interest in the property could result in a delay in superior court foreclosure proceedings and could result in the possibility of Special Tax A installments not being paid in part or in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the 2024 Bonds.

Proceeds of Foreclosure Sales

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of Special Tax A, the Board of Directors, as the legislative body of the District, may order that the Special Tax A be collected by a superior court action to foreclose the lien within specified time limits. The Authority has covenanted in the Fiscal Agent Agreement that it will, under certain circumstances, commence such a foreclosure action. See "SECURITY FOR THE 2024 BONDS—Covenant for Superior Court Foreclosure."

No assurances can be given that a taxable parcel in the District that would be subject to a judicial foreclosure sale for delinquent Special Tax A will be sold or, if sold, that the proceeds of such sale will be sufficient to pay the delinquent Special Tax installment. Although the Act authorizes the Authority to cause such an action to be commenced and diligently pursued to completion, the Act does not specify any obligation of the Authority with regard to purchasing or otherwise acquiring any lot or parcel of property sold at the foreclosure sale in any such action if there is no other purchaser at such sale and the Authority has not in any way agreed nor does it expect to be such a bidder.

In a foreclosure proceeding, a judgment debtor (i.e., the property owner) has 140 days from the date of service of the notice of levy in which to redeem the property to be sold and may have other redemption rights afforded by law. If a judgment debtor fails to so redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale if the purchaser at the sale was the judgment creditor. If a foreclosure sale is thereby set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made.

If foreclosure proceedings were ever instituted, any holder of a mortgage or deed of trust on the affected property could, but would not be required to, advance the amount of the delinquent Special Tax A installment to protect its security interest.

In the event such superior court foreclosure or foreclosures are necessary, there could be a delay in principal and interest payments to the owners of the 2024 Bonds pending prosecution of the foreclosure proceedings and receipt by the District of the proceeds of the foreclosure sale, if any. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions and other factors beyond the control of the Authority, including delay due to crowded local court calendars or legal tactics and, in any event could take several years to complete. In particular, bankruptcy proceedings involving the Developer or any other owner of a significant number of the taxable parcels in the District could

cause a delay, reduction or elimination in the flow of Special Tax Revenues to the Fiscal Agent. See “SPECIAL RISK FACTORS—Bankruptcy Delays.”

Natural Disasters

The value of the Taxable Property in the future can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements and private improvements on the Taxable Property and the continued habitability and enjoyment of such private improvements. Such occurrences include, without limitation, wildfire, earthquakes and floods. One or more of such natural disasters could occur and could result in damage to improvements of varying seriousness. The damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost, or 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 value of the Taxable Property may well depreciate or disappear.

Wildfires

In early September 2022, an almost 24,000 acre fire, the Fairview fire, came within 10 miles of the boundary of the District. Heavy rain and thunderstorms that occurred four days after the start of the fire benefitted firefighters in extinguishing the fire. While some areas were evacuated for a short period, there were no evacuations of City residents.

Otherwise, there were two other wildfires in the last four years, the Chaparral fire in 2021 and the Tenaja fire in 2019, in the general area neither of which affected property in the City. Both fires were over ten miles from the City boundary, and the District is located on the other side of the City. There have also been recent wildfires in the County of San Diego, but none have crossed into Riverside County or had any impact on property in the City.

Hazardous Substances

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the taxed parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The Authority has not independently verified, but is not aware of, the presence of any hazardous substances within the District.

Disclosure to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax A, even if the value of the property is sufficient to justify payment, may be affected by whether or not the owner was given due notice of the Special Tax A authorization at the time the owner purchased the parcel, was informed of the amount of the Special Tax A on the parcel should the Special

Tax A be levied at the maximum tax rate and, at the time of such a levy, has the ability to pay it as well as pay other expenses and obligations. The Authority has caused a notice of the Special Taxes to be recorded in the Office of the Riverside County Recorder against the parcels in the District. Although title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation when purchasing a property within the District or lending money thereon, as applicable.

California Civil Code Section 1102.6b requires that, in the case of transfers, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax A, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax A when due.

Potential Early Redemption of 2024 Bonds from Special Tax Prepayments

Property owners within the District are permitted to prepay their Special Tax A in full or in part at any time. Any such prepayments will result in a mandatory redemption of 2024 Bonds on any date for which timely notice may be given under the Fiscal Agent Agreement following the receipt of the Special Tax A prepayment. Any resulting redemption of 2024 Bonds that were purchased at a price greater than par could reduce the otherwise expected yield on such 2024 Bonds. The Authority cannot predict whether and if so when Special Tax A prepayments will occur in the future. See "THE 2024 BONDS – Redemption – Mandatory Redemption from Special Tax Prepayments."

Cybersecurity

The City, the employees of which conduct the operations of the Authority including those related to the District, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the City is subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the City's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. No assurance can be given that the efforts of the City to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the City or the Authority, or the administration of the District and the Bonds. The Authority 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 City, the Authority and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

Public Health Emergencies

The COVID-19 Pandemic commenced in approximately March 2020 and resulted in a global public health crisis that was fluid and unpredictable with unknown financial and economic impacts. The health emergency and related declarations have ceased, although investors continue to be cautioned that the Authority cannot predict the full impacts that the COVID-19 Pandemic may have had either directly or indirectly on the development and sales of homes in the District. Further, there could be future outbreaks of other COVID-19 variants or

other public health emergencies that could have material adverse effects on the development and sales of homes in the District.

No prediction can be made with respect to possible future COVID-19 outbreaks and related public health and governmental authorities' orders and actions. Such effects, if and as they arise, could have a material adverse effect on the ability to sell lots and develop the homes in the District as planned, and no assurance can be provided that will be able to (a) complete in whole or in any part, or within any particular time, the construction of homes within the District; (b) avoid additional material increases in development costs or delays resulting from work stoppages, reduced attendance of workers, shortages or delays in the delivery of building materials, and/or delays in obtaining necessary inspections and approvals; or (c) sell homes, and close home sales, due to in each case to public health or governmental restrictions, further spread of COVID-19, an economic downturn driven by the pandemic, or otherwise.

No Acceleration Provision

The 2024 Bonds and the Fiscal Agent Agreement do not contain a provision allowing for the acceleration of the 2024 Bonds in the event of a payment default or other default under the terms of the 2024 Bonds or the Fiscal Agent Agreement or in the event interest on the 2024 Bonds becomes included in gross income for federal income tax purposes.

Taxability Risk

As discussed herein under the caption "TAX MATTERS," interest on the 2024 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2024 Bonds were issued, as a result of future acts or omissions of the Authority in violation of its covenants in the Fiscal Agent Agreement. There is no provision in the 2024 Bonds or the Fiscal Agent Agreement for special redemption or acceleration or for the payment of additional interest should such an event of taxability occur, and the 2024 Bonds will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Fiscal Agent Agreement.

In addition, as discussed under the caption "TAX MATTERS," Congress has considered in the past, is currently considering and may consider in the future, legislative proposals, including some that carry retroactive effective dates, that, if enacted, would alter or eliminate the exclusion from gross income for federal income tax purposes of interest on municipal bonds, such as the 2024 Bonds. Prospective purchasers of the 2024 Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. The Authority can provide no assurance that federal tax law will not change while the 2024 Bonds are outstanding or that any such changes will not adversely affect the exclusion of interest on the 2024 Bonds from gross income for federal income tax purposes. If the exclusion of interest on the 2024 Bonds from gross income for federal income tax purposes were amended or eliminated, it is likely that the market price for the 2024 Bonds would be adversely impacted.

Enforceability of Remedies

The remedies available to the Fiscal Agent and the registered owners of the 2024 Bonds upon a default under the Fiscal Agent Agreement or any other document described in this Official Statement are in many respects dependent upon regulatory and judicial actions that are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. Any legal opinions to be delivered concurrently with the issuance of the 2024 Bonds will be qualified to the extent that the enforceability of the legal documents with respect to the 2024 Bonds is

subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Judicial remedies, such as foreclosure and enforcement of covenants, are subject to exercise of judicial discretion. A California court may not strictly apply certain remedies or enforce certain covenants if it concludes that application or enforcement would be unreasonable under the circumstances and it may delay the application of such remedies and enforcement.

No Secondary Market

No representation is made concerning any secondary market for the 2024 Bonds. There can be no assurance that any secondary market will develop for the 2024 Bonds. Investors should understand the long-term and economic aspects of an investment in the 2024 Bonds and should assume that they will have to bear the economic risks of their investment to maturity. An investment in the 2024 Bonds may be unsuitable for any investor not able to hold the 2024 Bonds to maturity.

Proposition 218

An initiative measure entitled the “Right to Vote on Taxes Act” (the “**Initiative**”) was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIIC and Article XIID to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Provisions of the Initiative have been and will continue to be interpreted by the courts. The Initiative could potentially impact the Special Taxes otherwise available to the District to pay the principal of and interest on the 2024 Bonds as described below.

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

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

Accordingly, although the matter is not free from doubt, it is likely that Article XIIC has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the 2024 Bonds.

It may be possible, however, for voters or the District or the Board of Directors of the Authority acting as the legislative body of the District to reduce the Special Tax A in a manner that does not interfere with the timely repayment of the 2024 Bonds, but which does reduce the maximum amount of Special Tax A that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Tax A in amounts greater than the amount necessary for the timely retirement of the 2024 Bonds. Therefore, no assurance can be given with respect to the levy of Special Tax A for Administrative Expenses (as defined in the Fiscal Agent Agreement). Nevertheless, the Authority has covenanted that it will not consent to, or conduct proceedings with respect to, a reduction in the maximum Special Tax A that may be levied in the District on Developed Property below an amount, for any Bond Year, equal to 110% of the aggregate of the debt service due on the 2024 Bonds in such Bond Year, plus a reasonable estimate of Administrative Expenses for each such Bond Year. However, no assurance can be given as to the enforceability of the foregoing covenant.

The interpretation and application of Article XIIC and Article XIID will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See “—Enforceability of Remedies.”

Ballot Initiatives

Articles XIIC and XIID of the California Constitution were adopted pursuant to measures qualified for the ballot pursuant to California’s constitutional initiative process, and the State Legislature has in the past enacted legislation that has altered the spending limitations or established minimum funding provisions for particular activities. On March 6, 1995 in the case of Rossi v. Brown, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the Authority, or local districts to increase revenues or to increase appropriations.

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2024 Bonds will be selected for audit by the Internal Revenue Service. It is also possible that the market value of the 2024 Bonds might be affected as a result of such an audit of the 2024 Bonds (or by an audit of similar bonds). See “TAX MATTERS.”

TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the 2024 Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The Authority has covenanted in the Fiscal Agent Agreement to comply with all requirements that must be satisfied in order for the interest on the 2024 Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the 2024 Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the 2024 Bonds.

Subject to the Authority's compliance with the above-referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Bond Counsel, interest on the 2024 Bonds is excludable from the gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals under the Internal Revenue Code of 1986, as amended (the "**Code**"). However, interest on the Bonds may affect the corporate alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the Authority with respect to certain material facts within the Authority's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

Ownership of the 2024 Bonds may result in collateral federal income tax consequences to certain taxpayers. Prospective purchasers of the 2024 Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "**Issue Price**") for each maturity of the 2024 Bonds is the price at which a substantial amount of such maturity of the 2024 Bonds is first sold to the public. The Issue Price of a maturity of the 2024 Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page of this Official Statement.

If the Issue Price of a maturity of the 2024 Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the 2024 Bonds (the "**OID 2024 Bonds**") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID 2024 Bond in the initial public offering at the Issue Price for such maturity and who holds such OID 2024 Bond to its stated maturity, subject to the condition that the Authority comply with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID 2024 Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID 2024 Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Owners of OID 2024 Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID 2024 Bonds.

Owners of 2024 Bonds who dispose of 2024 Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase 2024 Bonds in the initial public offering, but at a price different from the Issue Price or purchase 2024 Bonds subsequent to the initial public offering should consult their own tax advisors.

If a 2024 Bond is purchased at any time for a price that is less than the 2024 Bond's stated redemption price at maturity or, in the case of an OID 2024 Bond, its Issue Price plus accreted original issue discount reduced by payments of interest included in the computation of original issue discount and previously paid (the "**Revised Issue Price**"), the purchaser will be treated as having purchased a 2024 Bond with market discount subject to the market discount rules of the

Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a 2024 Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID 2024 Bond for a price that is less than its Revised Issue Price even if the purchase price exceeds par. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such 2024 Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the 2024 Bonds.

An investor may purchase a 2024 Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "**bond premium**" and must be amortized by an investor on a constant yield basis over the remaining term of the 2024 Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the 2024 Bond. Investors who purchase a 2024 Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the 2024 Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the 2024 Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the 2024 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the 2024 Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "**Service**") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the 2024 Bonds. If an audit is commenced, under current procedures the Service may treat the Authority as a taxpayer and the 2024 Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the 2024 Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the 2024 Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any 2024 Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any 2024 Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Bond Counsel, interest on the 2024 Bonds is exempt from California personal income taxes.

Ownership of the 2024 Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral

consequences arising with respect to the 2024 Bonds. Prospective purchasers of the 2024 Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Bond Counsel expects to deliver upon issuance of the 2024 Bonds is set forth in Appendix D.

LEGAL MATTERS

Concurrent with the issuance of the 2024 Bonds, Quint & Thimmig LLP, Larkspur, California, Bond Counsel, will render its opinion substantially in the form set forth in Appendix D to this Official Statement. Certain legal matters with respect to the 2024 Bonds will be passed upon for the Authority and the District by Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, in their capacity as attorneys for the Authority, and for the Authority by Quint & Thimmig LLP, Larkspur, California, acting as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. Payment of the fees and expenses of Underwriter's Counsel is contingent on the issuance of the 2024 Bonds. At times Quint & Thimmig LLP represents Stifel, Nicolaus & Company, Inc., the Underwriter for the 2024 Bonds, in matters unrelated to the 2024 Bonds.

NO RATING

The Authority has not made, and does not intend to make, any application to any rating agency for the assignment of a rating to the 2024 Bonds.

NO LITIGATION

The Authority is not aware of any pending or threatened litigation challenging the validity of the 2024 Bonds, the Special Taxes securing the 2024 Bonds, or any action taken by the Authority in connection with the formation of the District, the levying of the Special Taxes or the issuance of the 2024 Bonds.

The Bond Purchase Agreement between the Authority and the Underwriter requires that the Developer deliver a certificate on the date of issuance of the 2024 Bonds to the effect that no action, suit, proceeding, inquiry or investigation, at law or in equity, before any court, regulatory agency, public board or body, is pending, or to its actual knowledge is overtly threatened, in any way seeking to restrain such entity's development of the property it owns in the District or in any way seeking to invalidate or set aside any approval or permit relating to the development of such property.

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc. has acted as Municipal Advisor (the "**Municipal Advisor**") to the Authority in connection with the issuance of the 2024 Bonds. The Municipal Advisor has assisted in matters related to the planning, structuring, execution and delivery of the 2024 Bonds. The Municipal Advisor will receive compensation contingent upon the sale and delivery of the 2024 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 or completeness of disclosure of

such information. Because of this limited participation, the Municipal Advisor makes no guarantee, warranty or other representation with respect to the accuracy or completeness of this Official Statement, or any other matter related to this Official Statement.

UNDERWRITING

The 2024 Bonds are being purchased through negotiation by Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”). The Underwriter agreed to purchase the 2024 Bonds at a price of \$_____ (which is equal to the par amount of the 2024 Bonds, less an original issue discount of \$_____, and less an underwriter’s discount of \$_____). The initial public offering prices set forth on the inside cover page may be changed by the Underwriter. The Underwriter may offer and sell the 2024 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside cover page hereof.

CONTINUING DISCLOSURE

The Authority

The Authority will covenant in a Continuing Disclosure Agreement for the benefit of the Owners of the 2024 Bonds to provide Annual Reports that include certain annual financial information and operating data, and to provide notices of the occurrence of certain enumerated events. The Authority has retained Albert A. Webb Associates to act as the Dissemination Agent under the Continuing Disclosure Agreement. The Authority or the Dissemination Agent, on behalf of the Authority, will file the Annual Reports and notices as required by the Continuing Disclosure Agreement with the Municipal Securities Rulemaking Board. See Appendix E – “Form of Continuing Disclosure Agreement of the Authority” for the complete text of the Authority’s Continuing Disclosure Agreement. The covenants of the Authority in the Continuing Disclosure Agreement have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) (the “**Rule**”) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

During the last five Fiscal Years, the Authority has complied in all material respects with its obligations under several continuing disclosure agreements entered into in connection with various community facilities district special tax bonds that it has issued.

The Developer

Although the Developer is not an obligated person under Rule 15c2-12, the Developer has agreed, for the benefit of the owners of the 2024 Bonds to enter into a Continuing Disclosure Certificate covenanting to provide certain information regarding the development of its property and notice of certain material events as they occur.

The Developer has advised that it has not failed in any material respect to comply with any previous undertaking by it to provide periodic continuing disclosure reports or notices of listed events with respect to community facilities districts or assessment districts in northern California within the past five years. However, in connection with a continuing disclosure obligation entered into 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, the Developer was late in filing its first periodic report due June 15, 2021. The oversight was discovered in August 2021, and the Developer promptly filed a curative report on August 23, 2021 or approximately two months after the due date. Additionally, in connection with the

phased acquisition of lots from the master developer of property within the City of Roseville Creekview Community Facilities District No. 1 (Public Facilities) Improvement Area No. 1 (“Roseville CFD No. 1, IA No. 1”), the Developer executed a Continuing Disclosure Certificate (Assumption by Builder), dated August 13, 2021 (the “CDC Assumption”), with respect to the acquisition of Villages C-11 (34 projected units), C-12 (95 projected units), C-14 (20 projected units), and C-15 (20 projected units). The CDC Assumption relates to the issuance of \$10,905,000 City of Roseville Creekview Community Facilities District No. 1 (Public Facilities) Improvement Area No. 1 Special Tax Bonds Series 2020, and requires the filing of periodic reports by May 1 and November 1 of each year with respect to the property referenced, commencing November 1, 2021. The Developer was late in filing its first periodic report due November 1, 2021. The oversight was discovered in late April 2022, and the Developer promptly filed a curative report on April 28, 2022 or approximately six months after the due date. Identification of the above-described events does not constitute a representation by the Developer that such events were material.

The Developer has represented that, other than described above, it has not failed to comply in any material respect with any previous undertaking by it to provide periodic continuing disclosure reports or notices of listed events with respect to community facilities districts or assessment districts.

The obligations of the Developer under its Continuing Disclosure Certificate will terminate upon the earliest to occur of: (i) the legal defeasance, prior redemption or payment in full of all of the 2024 Bonds; and (ii) the date on which the Developer has conveyed 257 homes within the District to individual homeowners. See Appendix F — “Form of Continuing Disclosure Certificate of the Developer” for a complete copy of the Continuing Disclosure Certificate.

Remedies for Failures to Comply

A failure by the Authority or the Developer to comply with the provisions of its respective Continuing Disclosure Agreement or Continuing Disclosure Certificate is not an event of default under the Fiscal Agent Agreement (although the holders and beneficial owners of the 2024 Bonds do have remedies at law and in equity). However, a failure by the Authority to comply with the provisions of its Continuing Disclosure Agreement must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2024 Bonds. Therefore, a failure by the Authority to comply with the provisions of its Continuing Disclosure Agreement may adversely affect the marketability of the 2024 Bonds on the secondary market.

MISCELLANEOUS

Included herein are brief summaries of certain documents, which summaries do not purport to be complete or definitive, and reference is made to such documents for full and complete statements of the contents thereof. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority or the District and the purchasers or Owners of any of the 2024 Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Board of Directors of the Authority, acting as the legislative body of the District.

TEMECULA PUBLIC FINANCING AUTHORITY,
for and on behalf of the TEMECULA PUBLIC
FINANCING AUTHORITY COMMUNITY
FACILITIES DISTRICT NO. 20-01 (HEIRLOOM
FARMS)

By: _____
Executive Director

20009.25:J19441

APPENDIX A

GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY AND THE COUNTY

The information in this Appendix A is presented as general background data. The 2024 Bonds are payable solely from the proceeds of the Special Tax A received by the Authority and amounts held in certain funds under the Fiscal Agent Agreement, as described in the Official Statement.

Although reasonable efforts have been made to include up-to-date information in this Appendix A, some of the information is not current due to delays in reporting of information by various sources. It should not be assumed that the trends indicated by the following data would continue beyond the specific periods reflected herein.

Introduction

The City. The City of Temecula (the “City”) is located in southwestern Riverside County, California. The City was incorporated on December 1, 1989. Temecula is bordered by the City of Murrieta to the north and the Pechanga Indian Reservation and San Diego County to the south. The City of Temecula forms the southwestern anchor of the Inland Empire region.

Temecula is an affluent community. The City is supported by high median and mean income levels as well as the city’s favorable tourism and resort industries. The city is a prominent tourist destination, with the Temecula Valley Wine Country, Old Town Temecula, the Temecula Valley Polo Club, the Temecula Valley Balloon & Wine Festival, championship golf courses, and resort accommodations attracting a significant amount of tourists.

The City is a general law city, which operates under a council-manager form of government. The City Council consists of five members elected at-large to staggered four-year terms. Each year, the City Council elects a Mayor and a Mayor Pro Tem amongst themselves to serve for one calendar year. The Mayor, who has equal legislative power with fellow members of the City Council, serves as the ceremonial leader of the city and as the presiding officer of the bi-weekly City Council meetings.

The County. Riverside County, California (the “County”) is the 4th-most populous county in California and the 11th-most populous in the United States. The County name was taken from the City of Riverside, which is the county seat.

Roughly rectangle-shaped, Riverside County covers 7,208 square miles (18,670 km²) in Southern California, spanning from the Greater Los Angeles area to the Arizona border. Geographically, the county is mostly desert in the central and eastern portions of the county and is a Mediterranean climate in the western portion of the county. Most of Joshua Tree National Park is located in the county.

The resort cities of Palm Springs, Palm Desert, Indian Wells, La Quinta, Rancho Mirage, and Desert Hot Springs are all located in the Coachella Valley region of Riverside County. Large numbers of Los Angeles area workers have moved to the county to take advantage of its relatively affordable housing. Alongside neighboring San Bernardino County, it was one of the fastest growing regions in the state prior to the recent changes in the regional economy. In addition, smaller, but significant, numbers of people have been moving into Southwest Riverside County from the San Diego-Tijuana metropolitan area.

Population

The table below summarizes population of the City, the County, and the State for the last five years.

CITY OF TEMECULA, RIVERSIDE COUNTY, and CALIFORNIA Population

| Year | City of Temecula | Riverside County | State of California |
|------|------------------|------------------|---------------------|
| 2019 | 112,561 | 2,419,057 | 39,605,361 |
| 2020 | 112,512 | 2,440,719 | 39,648,938 |
| 2021 | 109,881 | 2,418,727 | 39,286,510 |
| 2022 | 109,468 | 2,430,976 | 39,078,674 |
| 2023 | 108,899 | 2,439,234 | 38,940,231 |

Source: California Department of Finance, E-4 Population Estimate for Cities, Counties, and the State, 2010-23, with 2020 Census Benchmark.

Employment

The following table summarizes historical employment and unemployment for the County, the State, and the United States:

RIVERSIDE COUNTY, CALIFORNIA, and UNITED STATES Civilian Labor Force, Employment, and Unemployment (Annual Averages)

| Year | Area | Labor Force | Employment | Unemployment | Unemployment Rate ⁽¹⁾ |
|---------------------|------------------|-------------|-------------|--------------|----------------------------------|
| 2018 | Riverside County | 1,092,400 | 1,044,600 | 47,800 | 4.4% |
| | California | 19,398,200 | 18,582,800 | 815,400 | 4.2 |
| | United States | 162,075,000 | 155,761,000 | 6,314,000 | 3.9 |
| 2019 | Riverside County | 1,104,000 | 1,057,900 | 46,100 | 4.2 |
| | California | 19,411,600 | 18,627,400 | 784,200 | 4.0 |
| | United States | 163,539,000 | 157,538,000 | 6,001,000 | 3.7 |
| 2020 | Riverside County | 1,107,700 | 997,700 | 110,000 | 9.9 |
| | California | 18,821,200 | 16,913,100 | 1,908,100 | 10.1 |
| | United States | 160,742,000 | 147,795,000 | 12,947,000 | 8.1 |
| 2021 | Riverside County | 1,129,600 | 1,046,700 | 82,800 | 7.3 |
| | California | 18,923,200 | 17,541,900 | 1,381,200 | 7.3 |
| | United States | 161,204,000 | 152,581,000 | 8,623,000 | 5.3 |
| 2022 ⁽²⁾ | Riverside County | 1,152,100 | 1,104,100 | 48,000 | 4.2 |
| | California | 19,252,000 | 18,440,900 | 811,100 | 4.2 |
| | United States | 164,287,000 | 158,291,000 | 5,996,000 | 3.6 |

Source: California Employment Development Department, Monthly Labor Force Data for Counties, Annual Average 2010-22, and US Department of Labor.

- (1) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures available in this table.
- (2) Latest available full-year data.

Major Employers in the City and Industries in the County

The following table lists the top 10 employers within the City for 2022.

**CITY OF TEMECULA
Top 10 Employers
For the 2022 Fiscal Year⁽¹⁾**

| Employer | Employees | % of Total |
|---|-----------|---------------|
| Temecula Valley Unified School District | 3,000 | 4.95% |
| Abbott Laboratories | 1,500 | 2.48 |
| Temecula Valley Hospital | 1,009 | 1.67 |
| Milgrad Manufacturing Inc. | 515 | .85 |
| Walmart | 500 | .83 |
| Costco Wholesale | 500 | .83 |
| Southwest Traders, Inc. | 484 | .80 |
| FFF Enterprises | 366 | .60 |
| Macy's | 295 | .49 |
| Temecula Valley Winery Management | 274 | .45 |
| Total Top 10 | 8,443 | 13.95% |

Source: City of Temecula 2021-22 Annual Comprehensive Financial Report.

(1) Latest available full-year data.

The following table lists the top 10 employers within the County for 2022.

**RIVERSIDE COUNTY
Top 10 Employers
For the 2022 Fiscal Year⁽¹⁾**

| Employer | Employees | % of Total |
|--|-----------|---------------|
| Riverside County | 23,772 | 2.13% |
| Amazon | 14,500 | 1.30 |
| March Air Reserve Base | 9,600 | .86 |
| University of California Riverside | 8,593 | .77 |
| Moreno Valley Unified School District | 6,020 | .54 |
| Kaiser Permanente Riverside Medical Center | 5,817 | .52 |
| Corona-Norco Unified School District | 5,478 | .49 |
| Riverside Unified School District | 5,431 | .49 |
| Stater Bros | 4,699 | .42 |
| Mt. San Jacinto Community College District | 4,638 | .42 |
| Total Top 10 | 88,548 | 7.94% |

Source: Riverside County 2021-22 Annual Comprehensive Financial Report.

(1) Latest available full-year data.

Construction Activity

The following tables reflect the five-year history of building permit valuation for the City and the County:

CITY OF TEMECULA Building Permits and Valuation (Dollars in Thousands)

| | 2018 | 2019 | 2020 | 2021 | 2022 ⁽¹⁾ |
|----------------------------|-----------|-----------|-----------|-----------|---------------------|
| <u>Permit Valuation:</u> | | | | | |
| New Single-family | \$ 17,052 | \$ 10,707 | \$ 47,734 | \$ 84,334 | \$ 70,231 |
| New Multi-family | - | 14,538 | 2,512 | 2,163 | 24,802 |
| Res. Alterations/Additions | 6,381 | 4,295 | 7,462 | 6,263 | 7,044 |
| Total Residential | 23,433 | 29,542 | 57,708 | 92,760 | 102,079 |
| Total Nonresidential | 33,469 | 28,911 | 23,605 | 26,804 | 18,700 |
| Total All Building | 56,903 | 58,453 | 81,314 | 119,565 | 120,780 |
| <u>New Dwelling Units:</u> | | | | | |
| Single Family | 90 | 54 | 261 | 441 | 426 |
| Multiple Family | - | 169 | 39 | 36 | 277 |
| Total | 90 | 223 | 300 | 477 | 703 |

RIVERSIDE COUNTY Building Permits and Valuation (Dollars in Thousands)

| | 2018 | 2019 | 2020 | 2021 | 2022 ⁽¹⁾ |
|----------------------------|--------------|--------------|--------------|--------------|---------------------|
| <u>Permit Valuation:</u> | | | | | |
| New Single-family | \$ 2,200,020 | \$ 1,834,821 | \$ 2,315,365 | \$ 2,013,158 | \$ 2,429,329 |
| New Multi-family | 232,706 | 282,465 | 93,149 | 149,081 | 339,474 |
| Res. Alterations/Additions | 125,353 | 158,117 | 110,788 | 100,401 | 152,309 |
| Total Residential | 2,558,080 | 2,275,404 | 2,519,303 | 2,262,641 | 2,921,112 |
| Total Nonresidential | 1,959,680 | 1,285,855 | 1,153,777 | 1,543,997 | 1,701,617 |
| Total All Building | 4,517,761 | 3,561,260 | 3,673,080 | 3,806,639 | 4,622,730 |
| <u>New Dwelling Units:</u> | | | | | |
| Single Family | 7,540 | 6,563 | 8,443 | 7,360 | 8,863 |
| Multiple Family | 1,628 | 1,798 | 723 | 1,126 | 2,861 |
| Total | 9,168 | 8,361 | 9,166 | 8,486 | 11,724 |

Source: Construction Industry Research Board: "Building Permit Summary."

Note: Columns may not sum to totals due to independent rounding.

(1) Latest available full year data.

Median Household Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, State and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the median household effective buying income for the City, the County, the State and the nation for the past five years.

**CITY OF TEMECULA, RIVERSIDE COUNTY,
STATE OF CALIFORNIA AND UNITED STATES
Median Household Effective Buying Income**

| | 2018 | 2019 | 2020 | 2021 | 2022 ⁽¹⁾ |
|------------------|-----------|-----------|-----------|-----------|---------------------|
| City of Temecula | \$ 77,298 | \$ 82,329 | \$ 82,910 | \$ 93,861 | \$ 92,488 |
| Riverside County | 55,565 | 59,928 | 60,865 | 70,961 | 71,623 |
| California | 62,637 | 65,870 | 67,956 | 77,058 | 77,175 |
| United States | 52,841 | 55,303 | 56,790 | 64,448 | 65,326 |

Source: Nielsen, Inc.
Latest available full year data.

APPENDIX B

TEMECULA PUBLIC FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 20-01 (HEIRLOOM FARMS)

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

The following sets forth the Rate and Method of Apportionment of Special Tax for the levy and collection of an Annual Special Tax A, an Annual Special Tax B, and an Annual Special Tax C in the Temecula Public Financing Authority (“PFA”) Community Facilities District No. 20-01 (“CFD No. 20-01”). An Annual Special Tax A, an Annual Special Tax B, and an Annual Special Tax C shall be levied on and collected in CFD No. 20-01 each Fiscal Year, in an amount determined through the application of the Rate and Method of Apportionment of Special Tax described below. All of the real property within CFD No. 20-01, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

SECTION A DEFINITIONS

The terms hereinafter set forth have the following meanings:

“Acre” or “Acreage” means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on the Assessor's Parcel Map, the land area as shown on the applicable Final Map, or if the land area is not shown on the applicable Final Map, the land area as calculated by or on behalf of the CFD Administrator.

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

“Administrative Expenses” means the actual or reasonably estimated costs directly related to the administration of CFD No. 20-01, including but not limited to the following: (i) the costs of computing Special Tax A, Special Tax B, and/or Special Tax C (the “Special Taxes”) and of preparing the annual Special Tax A, Special Tax B, and Special Tax C collection schedules (whether by the CFD Administrator or designee thereof, or both); (ii) the costs of collecting the Special Taxes (whether by the Authority, County, City, or otherwise); (iii) the costs of remitting the Special Taxes to the fiscal agent or trustee for any Bonds; (iv) the costs of commencing and pursuing to completion any foreclosure action arising from delinquent Special Taxes; (v) the costs of the fiscal agent or trustee (including its legal counsel) in the discharge of the duties required of it under any Indenture; (vi) the costs of the Authority, City, or designee of either in complying with arbitrage rebate, mandated reporting and disclosure requirements of applicable federal and State of California laws, and responding to property owner or Bond owner inquiries regarding the Special Taxes or Bonds; (vii) the costs associated with the release of funds from any escrow account established under an Indenture; (viii) the costs of the Authority, City, or designee of either thereof related to any appeal of a Special Tax; (ix) an allocable share of the salaries of the City staff and City overhead expense directly relating to the foregoing and (x) any other expense eligible under the Act. Administrative Expenses shall also include amounts advanced by the City or the Authority for any administrative purposes of CFD No. 20-01.

“Annual Special Tax A” means for each Assessor's Parcel, the Special Tax A actually levied in a given Fiscal Year on such Assessor's Parcel.

“Annual Special Tax B” means for each Assessor’s Parcel, the Special Tax B actually levied in a given Fiscal Year on such Assessor’s Parcel.

“Annual Special Tax C” means for each Assessor’s Parcel, the Special Tax C actually levied in a given Fiscal Year on such Assessor’s Parcel.

“Approved Property” means all Assessor’s Parcels of Taxable Property other than Provisional Exempt Property: (i) that are included in a Final Map that was recorded prior to the January 1st immediately preceding the Fiscal Year in which the Special Tax A is being levied, and (ii) that have not been issued a Building Permit on or before the April 1st immediately preceding the Fiscal Year in which the Special Tax A is being levied.

“Assessor” means the Assessor of the County.

“Assessor’s Parcel” or “Parcel” means a lot or parcel of land designated on an Assessor’s Parcel Map with an assigned Assessor’s Parcel Number within the boundaries of CFD No. 20-01.

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

“Assessor’s Parcel Number” means that number assigned to a lot or parcel of land by the Assessor for purposes of identification.

“Assigned Annual Special Tax A” means the Special Tax A as described in Section D below.

“Authorized Facilities” means the public facilities authorized to be financed, in whole or in part, by the CFD, as identified in the list of authorized facilities approved by the Resolution of Formation of the CFD adopted by the Board of Directors when the CFD was formed.

“Authorized Services” means the services authorized to be funded, in whole or in part, by the CFD, as identified in the list of authorized services approved by the Resolution of Formation of the CFD adopted by the Board of Directors when the CFD was formed.

“Backup Annual Special Tax A” means the Special Tax A as described in Section E below.

“Board of Directors” means the Board of Directors of the Temecula Public Financing Authority, acting as the legislative body of CFD No. 20-01, or its designee.

“Bonds” means any bonds or other indebtedness (as defined in the Act), whether in one or more series, the repayment of which is secured by proceeds of the levy of Special Tax A on Assessor’s Parcels within CFD No. 20-01.

“Boundary Map” means a recorded map of the CFD No. 20-01 which indicates the boundaries of CFD No. 20-01.

“Building Permit” means the first legal document issued by the City giving official permission for new construction of improvements on an Assessor’s Parcel in CFD No. 20-01. 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 CFD Administrator.

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

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

“CFD No. 20-01” or “CFD” means the Temecula Public Financing Authority Community Facilities District No. 20-01 (Heirloom Farms) established by the Authority under the Act.

“CFD Administrator” or “Administrator” means the Finance Director of the City, or designee thereof, responsible for, among other things, determining the Special Tax A Requirement for Special Tax A, the Special Tax B Requirement for Special Tax B, and the Special Tax C Requirement for Special Tax C and providing for the levy and collection of said Special Tax A, Special Tax B, and Special Tax C.

“City” means the City of Temecula, California.

“Consumer Price Index” or “CPI” means, for each Fiscal Year, the Consumer Price Index published by the U.S. Bureau of Labor Statistics for “All Items for All Urban Consumers: in the Riverside-San Bernardino-Ontario area”, measured as of the month of December in the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Consumer Price Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Consumer Price Index for the Riverside-San Bernardino-Ontario area.

“County” means the County of Riverside, California.

“Developed Property” means all Assessor’s 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 Special Tax A, Special Tax B or Special Tax C are being levied, and (ii) for which a building permit was issued on or before April 1st preceding the Fiscal Year in which any or all of the Special Taxes are being levied.

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

“Exempt Welfare Exemption Property” means, for each Fiscal Year, an Assessor’s Parcel that is (a) receiving a welfare exemption under subdivision (g) of Section 214 of the California Revenue and Taxation Code (or any successor statute), as indicated in the County’s assessor’s roll finalized as of January 1 of the previous Fiscal Year, and (b) exempt from the Special Tax pursuant to Section 53340(c) of the Act. Pursuant to Section 53340(c) of the Act, after the issuance of the first series of Bonds, any Assessor’s Parcels that receive welfare exemption under subdivision (g) of Section 214 of the California Revenue and Taxation Code (or any successor statute) shall not be classified as Exempt Welfare Exemption Property and will be subject to the Special Tax.

“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 that do not need, and are not expected, to be further subdivided prior to the issuance of a Building Permit.

“Fiscal Year” means the period commencing July 1 of any year and ending 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 Type” means Residential Property, Multifamily Residential Property, or Non-Residential Property.

“Maximum Special Tax A” means for each Assessor’s Parcel of Taxable Property, the maximum Special Tax A, determined in accordance with Section C that can be levied on each such Assessor’s Parcel.

“Maximum Special Tax B” means for each Assessor’s Parcel of Taxable Property, the maximum Special Tax B, determined in accordance with Section I that can be levied on each such Assessor’s Parcel.

“Maximum Special Tax C” means for each Assessor’s Parcel of Taxable Property, the maximum Special Tax C, determined in accordance with Section L that can be levied on each such Assessor’s Parcel.

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

“Non-Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit was issued for any type of use other than Residential Property and Multifamily Residential Property.

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

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

“Proportionately” means for Special Tax A that the ratio of the Annual Special Tax A to the applicable Assigned Annual Special Tax A is equal for all applicable Assessor’s Parcels. In the case of Special Tax B and Special Tax C, “Proportionately” means that the ratio of the Annual Special Tax B to the applicable Maximum Special Tax B and the Annual Special Tax C to the applicable Maximum Special Tax C is equal for all applicable Assessor’s Parcels. In the case of Developed Property subject to the apportionment of the Annual Special Tax A under Step Four of Section F, “Proportionately” means that the quotient of (a) Annual Special Tax A less

the Assigned Annual Special Tax A divided by (b) the Backup Annual Special Tax A less the Assigned Annual Special Tax A, is equal for all applicable Assessor's Parcels.

"Provisional Exempt Property" means all Assessor's Parcels of Taxable Property subject to Special Tax A that would otherwise be classified as Exempt Property pursuant to the provisions of Section P, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property within the applicable Zone below the required minimum Acreage set forth in Section P.

"Residential Property" means all Assessor's Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units, and which are not otherwise Multifamily Residential Property.

"RMA" means this Rate and Method of Apportionment of Special Tax.

"Special Tax(es)" means any of the Special Taxes authorized to be levied on Taxable Property within and for CFD No. 20-01 pursuant to the Act to fund the Special Tax A Requirement, Special Tax B Requirement, and/or the Special Tax C Requirement.

"Special Tax A" means any of the Special Taxes authorized to be levied on Taxable Property within and by CFD No. 20-01 pursuant to the Act to fund the Special Tax A Requirement.

"Special Tax B" means any of the Special Taxes authorized to be levied on Taxable Property within and by CFD No. 20-01 pursuant to the Act to fund the Special Tax B Requirement.

"Special Tax C" means any of the Special Taxes authorized to be levied on Taxable Property within and by CFD No. 20-01 pursuant to the Act to fund the Special Tax C Requirement.

"Special Tax A Requirement" means, subject to the Maximum Special Tax A, the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds due in the Calendar Year that commences in such Fiscal Year, (ii) Administrative Expenses for such Fiscal Year (apportioned between Special Tax A and Special Tax B), (iii) any amount required to establish or replenish any reserve funds established in association with the Bonds, and (iv) the collection or accumulation of funds for the acquisition or construction of facilities authorized to be funded by CFD No. 20-01, and paid for by the levy on Developed Property of the Assigned Annual Special Tax A provided that the inclusion of such amount does not cause an increase in the levy of Special Tax A on Approved Property or Undeveloped Property as set forth in Step Two and Three of Section F, less (v) any amount available to pay debt service or other periodic costs on the Bonds pursuant to any applicable fiscal agent agreement, or trust agreement.

"Special Tax B Requirement" means, subject to the Maximum Special Tax B, that amount to be collected in any Fiscal Year to pay for certain Authorized Services as required to meet the needs of CFD No. 20-01. The costs of services to be covered shall be the direct costs for (i) Authorized Services, and (ii) Administrative Expenses (apportioned between Special Tax A and Special Tax B); less (iii) a credit for funds available to reduce the Annual Special Tax B levy, if any, as determined by the CFD Administrator. Under no circumstances shall the Special Tax B Requirement include amounts needed to repay Bonds.

“Special Tax C Requirement” means, subject to the Maximum Special Tax C, that amount to be collected in any Fiscal Year to pay for certain Authorized Services as required to meet the needs of CFD No. 20-01. The costs of services to be covered shall be the direct costs for (i) Authorized Services, and (ii) Administrative Expenses; less (iii) a credit for funds available to reduce the Annual Special Tax C levy, if any, as determined by the CFD Administrator. Under no circumstances shall the Special Tax C Requirement include amounts needed to repay Bonds.

“Special Tax Category” means any of the individual categories of BSF set forth in Tables 1 through 3 in Section D below.

“Taxable Property” means (i) with respect to Special Tax A, all Assessor’s Parcels within CFD No. 20-01, which are not Exempt Property or for which the Special Tax A obligation has not been prepaid in full, and (ii) with respect to Special Tax B and Special Tax C, all Assessor’s Parcels within CFD No. 20-01, which are not Exempt Property.

“Temecula Public Financing Authority” or “PFA” or “Authority” means the Temecula Public Financing Authority, or its designee.

“Transition Event” shall be deemed to have occurred when the Administrator determines that the following events have occurred: (i) all Bonds secured by the levy and collection of Special Tax A in the CFD have been fully repaid, or there are sufficient revenues available to fully repay the Bonds in funds and accounts that, pursuant to the Indenture, will require such revenues to be applied to repay the Bonds; (ii) all Administrative Expenses from prior Fiscal Years have been paid or reimbursed; and (iii) there are no other Authorized Facilities that the Authority or the CFD intends to fund with Bonds and Special Tax A.

“Transition Year” means the earlier of: (i) the first Fiscal Year in which the Administrator determines that the Transition Event occurred in the prior Fiscal Year, or (ii) Fiscal Year 2062-63.

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

“Unit” means any residential dwelling unit excluding dwelling units within Multifamily Residential Property.

“Zone(s)” means Zone 1, Zone 2, or Zone 3 as geographically identified on Attachment A of the RMA.

“Zone 1” means the specific area identified on Attachment A as Zone 1 of CFD 20-01.

“Zone 2” means the specific area identified on Attachment A as Zone 2 of CFD 20-01.

“Zone 3” means the specific area identified on Attachment A as Zone 3 of CFD 20-01.

SECTION B CLASSIFICATION OF ASSESSOR’S PARCELS

Each Fiscal Year, beginning with Fiscal Year 2021-22, each Assessor’s Parcel within CFD No. 20-01 shall be classified as Taxable Property or Exempt Property. In addition, each Assessor’s Parcel of Taxable Property shall be further classified as Developed Property, Approved Property, Undeveloped Property, or Provisional Exempt Property. In addition, each Assessor’s Parcel of Developed Property, Approved Property, Undeveloped Property and

Provisional Exempt Property shall be classified as being within Zone 1, Zone 2, or Zone 3. If an Assessor's Parcel of Developed Property, Approved Property, Undeveloped Property or Provisional Exempt Property is located within more than one Zone, it shall be deemed to be entirely within the Zone in which the largest portion of its Acreage is located. In addition, each Assessor's Parcel of Developed Property shall further be classified as Residential Property, Multifamily Residential Property or Non-Residential Property. Assessor's Parcels of Residential Property shall be further categorized based on the Building Square Footage of each such Assessor's Parcel.

SECTION C MAXIMUM SPECIAL TAX A

1. Developed Property

The Maximum Special Tax A for each Assessor's Parcel of Residential Property, Multifamily Residential Property or Non-Residential Property in any Fiscal Year shall be the greater of (i) the Assigned Annual Special Tax A or (ii) the Backup Annual Special Tax A.

2. Approved Property, Undeveloped Property, and Provisional Exempt Property

The Maximum Special Tax A for each Assessor's Parcel classified as Approved Property, Undeveloped Property, or Provisional Exempt Property in any Fiscal Year shall be the Assigned Annual Special Tax A.

3. Increase in the Maximum Special Tax A

On each July 1, commencing July 1, 2022, the Maximum Special Tax A shall be increased by an amount equal to one percent (1.0%) of the amount in effect for the previous Fiscal Year.

4. Maximum Special Tax A at Transition Year

For the Transition Year and each Fiscal Year thereafter, the Maximum Special Tax A for any Assessor's Parcel of Taxable Property shall be \$0.00.

SECTION D ASSIGNED ANNUAL SPECIAL TAX A

1. Developed Property

Each Fiscal Year prior to the Transition Year, each Assessor's Parcel of Residential Property, Multifamily Residential Property or Non-Residential Property shall be subject to an Assigned Annual Special Tax A.

The Assigned Annual Special Tax A applicable to an Assessor's Parcel of Developed Property shall be determined using the tables below.

**TABLE 1
ASSIGNED ANNUAL SPECIAL TAX A RATES
FOR DEVELOPED PROPERTY WITHIN ZONE 1
FISCAL YEAR 2021-22**

| Land Use Type | Building Square Footage | Assigned Special Tax A |
|----------------------------------|--------------------------------|-------------------------------|
| Residential Property | Less than 1,801 | \$2,915 per Unit |
| Residential Property | 1,801 – 2,000 | \$3,020 per Unit |
| Residential Property | Greater than 2,000 | \$3,125 per Unit |
| Multifamily Residential Property | N/A | \$49,422 per Acre |
| Non-Residential Property | N/A | \$49,422 per Acre |

**TABLE 2
ASSIGNED ANNUAL SPECIAL TAX A RATES
FOR DEVELOPED PROPERTY WITHIN ZONE 2
FISCAL YEAR 2021-22**

| Land Use Type | Building Square Footage | Assigned Special Tax A |
|----------------------------------|--------------------------------|-------------------------------|
| Residential Property | Less than 1,551 | \$2,110 per Unit |
| Residential Property | 1,551 – 1,750 | \$2,310 per Unit |
| Residential Property | Greater than 1,750 | \$2,410 per Unit |
| Multifamily Residential Property | N/A | \$71,940 per Acre |
| Non-Residential Property | N/A | \$71,940 per Acre |

**TABLE 3
ASSIGNED ANNUAL SPECIAL TAX A RATES
FOR DEVELOPED PROPERTY WITHIN ZONE 3
FISCAL YEAR 2021-22**

| Land Use Type | Building Square Footage | Assigned Special Tax A |
|----------------------------------|--------------------------------|-------------------------------|
| Residential Property | Less than 1,601 | \$2,275 per Unit |
| Residential Property | 1,601 or Greater | \$2,400 per Unit |
| Multifamily Residential Property | N/A | \$60,689 per Acre |
| Non-Residential Property | N/A | \$60,689 per Acre |

2. Approved Property, Undeveloped Property and Provisional Exempt Property

Each Fiscal Year, prior to the Transition Year, each Assessor’s Parcel of Approved Property, Undeveloped Property, and Provisional Exempt Property shall be subject to an Assigned Annual Special Tax A. In the Transition Year and each Fiscal Year thereafter, no Special Tax A shall be levied on Approved Property, Undeveloped Property, or Provisional Exempt Property. Notwithstanding the forgoing, if there are delinquent Special Tax A taxes on a Parcel, such delinquent Special Tax A taxes will continue to constitute a lien against the Parcel until they are collected. The Assigned Annual Special Tax A rate for an Assessor’s Parcel classified as Approved Property, Undeveloped Property, or Provisional Exempt Property shall be determined pursuant to Table 4 below:

**TABLE 4
 ASSIGNED ANNUAL SPECIAL TAX RATES
 FOR APPROVED PROPERTY, UNDEVELOPED PROPERTY,
 AND PROVISIONAL EXEMPT PROPERTY
 FISCAL YEAR 2021-22**

| Zone | Assigned Special Tax A |
|--------|------------------------|
| Zone 1 | \$49,422 per Acre |
| Zone 2 | \$71,940 per Acre |
| Zone 3 | \$60,689 per Acre |

3. Increase in the Assigned Annual Special Tax A

On each July 1, commencing July 1, 2022, the Assigned Annual Special Tax A for any Assessor’s Parcel of Taxable Property shall be increased by an amount equal to one percent (1.0%) of the amount in effect for the previous Fiscal Year.

4. Assigned Annual Special Tax A at Transition Year

For the Transition Year and each Fiscal Year thereafter, the Assigned Annual Special Tax A for all Taxable Property shall be \$0.00.

**SECTION E
 BACKUP ANNUAL SPECIAL TAX A**

At the time a Final Map is recorded, the CFD Administrator shall determine the Backup Annual Special Tax A for all Assessor’s Parcels with a Zone classified or reasonably expected to be classified as Residential Property within such Final Map by multiplying the Maximum Special Tax A rate for Undeveloped Property for the applicable Zone by the total Acreage of Taxable Property within the applicable Zone, excluding the Provisional Exempt Property Acreage, Non-Residential Property Acreage, Multifamily Residential Property Acreage and any Acreage reasonably expected to be classified as Exempt Property, and dividing such amount by the total number of such Assessor’s Parcels within the applicable Zone which are classified or reasonable expected to be classified as Residential Property.

The Backup Annual Special Tax A rate for Multifamily Residential Property or Non-Residential Property shall be its Assigned Annual Special Tax A rate.

On each July 1, commencing July 1, 2022, the Backup Annual Special Tax A shall be increased by an amount equal to one percent (1.0%) of the amount in effect for the previous Fiscal Year.

Notwithstanding the foregoing, if Assessor’s Parcels which are classified or to be classified as Residential Property, Non-Residential Property or Multifamily Property are subsequently changed by recordation of a lot line adjustment, Final Map amendment, new Final Map or similar instrument, then the Backup Annual Special Tax A shall be recalculated within the area that has been changed to equal the amount of Backup Annual Special Tax A that would have been generated if such change did not take place.

SECTION F
METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX A

Commencing Fiscal Year 2021-22 and for each subsequent Fiscal Year, the Board of Directors shall levy the Annual Special Tax A in accordance with the following steps:

- Step One: The Annual Special Tax A shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Annual Special Tax A rates in Tables 1, 2, and 3 to satisfy the Special Tax A Requirement.
- Step Two: If additional moneys are needed to satisfy the Special Tax A Requirement after the first step has been completed, the Annual Special Tax A shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the applicable Maximum Annual Special Tax A to satisfy the Special Tax A Requirement.
- Step Three: If additional moneys are needed to satisfy the Special Tax A Requirement after the first two steps have been completed, the Annual Special Tax A shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Annual Special Tax A for Undeveloped Property applicable to each such Assessor's Parcel as needed to satisfy the Special Tax A Requirement.
- Step Four: If additional moneys are needed to satisfy the Special Tax A Requirement after the first three steps have been completed, the Annual Special Tax A on each Assessor's Parcel of Developed Property for which the Maximum Special Tax A is the Backup Annual Special Tax A shall be increased Proportionately from the Assigned Annual Special Tax A up to 100% of the Backup Annual Special Tax A as needed to satisfy the Special Tax A Requirement.
- Step Five: If additional moneys are needed to satisfy the Special Tax A Requirement after the first four steps have been completed, the Annual Special Tax A shall be levied Proportionately on each Assessor's Parcel of Provisional Exempt Property up to 100% of the Maximum Annual Special Tax A applicable to each such Assessor's Parcel as needed to satisfy the Special Tax A Requirement.

Notwithstanding the foregoing, pursuant to Section 53321 (d) of the Act, the Special Tax A levied against an Assessor's Parcel used for private residential purposes shall under no circumstances increase more than ten (10%) as a consequence of delinquency of default by the owner of any other Assessor's Parcel or Assessor's Parcels and shall, in no event, exceed the Maximum Special Tax A in effect for the Fiscal Year in which the Special Tax A is being levied.

SECTION G
PREPAYMENT OF SPECIAL TAX A

The following definitions apply to this Section G:

"Business Day" means days Temecula City Hall is open for business.

"CFD Public Facilities Amount" means \$12,200,000 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 CFD Administrator as sufficient to provide the Authorized Facilities under the authorized bonding program, or (ii) shall be

determined by the Board of Directors concurrently with a covenant that the CFD will not issue any more Bonds.

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

“Future Facilities Costs” means the CFD Public Facilities Amount minus (i) Bond proceeds deposited in an Improvement Fund and (ii) other amounts (proceeds of the levy of Special Tax A, interest earnings, etc.) held in an Improvement Fund that were available to fund such CFD Public Facilities Amount prior to the date of prepayment.

“Improvement Fund” means any fund or account established under an Indenture to hold funds which were or continue to be available for expenditure to pay costs of Authorized Facilities and any fund or account established prior to the issuance of Bonds for such purpose.

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

Prepayment in Full

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

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

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

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

1. Confirm that no Special Tax A delinquencies apply to such Assessor's Parcel.
2. For Developed Property, compute the Maximum Special Tax A for the Assessor's Parcel. For Approved Property or Undeveloped Property for which a Building Permit has been issued, compute the Maximum Special Tax A for the Assessor's Parcel as though it was already designated as Developed Property, based upon the Building Permit which has been issued for the Assessor's Parcel. For Approved Property or Undeveloped Property for which a Building Permit has not been issued or Provisional Exempt Property, compute the Maximum Special Tax A for the Assessor's Parcel.
3. Divide the Maximum Special Tax A derived pursuant to paragraph 2 by the total amount of Special Tax A that could be levied on all Taxable Property based on the applicable Maximum Special Tax A, including for Approved Property or Undeveloped Property for which a Building Permit has been issued, the Maximum Special Tax A for the Assessor's Parcel as though it was already designated as Developed Property. The calculation of the total amount of Special Tax A shall exclude Assessor's Parcels for which the Special Tax A obligation has been previously prepaid in full or the portion thereof that has been previously prepaid in part.
4. Multiply the quotient derived pursuant to paragraph 3 by the principal amount of the Outstanding Bonds to determine the amount of Outstanding Bonds to be redeemed with the Prepayment Amount (the "Bond Redemption Amount").
5. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
6. Determine the Future Facilities Costs.
7. Multiply the quotient derived pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to determine the amount of Future Facilities Costs for the Assessor's Parcel (the "Future Facilities Amount").
8. Determine the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds on which Bonds can be redeemed from Special Tax prepayments.

9. Determine the Special Tax A levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.
10. Determine the amount the CFD Administrator reasonably expects to derive from the investment of the Bond Redemption Amount and the Redemption Premium from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the Prepayment Amount.
11. Add the amounts derived pursuant to paragraphs 8 and 9 and subtract the amount derived pursuant to paragraph 10 (the "Defeasance Amount").
12. Verify the administrative fees and expenses of the CFD, including the cost of computation of the Prepayment Amount not funded from the deposit, 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 A obligation for the Assessor's Parcel and the redemption of Outstanding Bonds (the "Administrative Fees and Expenses").
13. The reserve fund credit (the "Reserve Fund Credit") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
14. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance Amount and the Administrative Fees and Expenses, less the Reserve Fund Credit.
15. From the Prepayment Amount, the Bond Redemption Amount, the Redemption Premium, and Defeasance Amount shall be deposited into the appropriate fund as established under the Indenture and be used to redeem Outstanding Bonds or make debt service payments. The Future Facilities Amount shall be deposited into the Improvement Fund. The Administrative Fees and Expenses shall be retained by the CFD to be used for payment thereof.

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 A prepayments of Outstanding Bonds or to make debt service payments.

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

the Assessor's Parcel, and the obligation to pay the Special Tax A for such Assessor's Parcel shall cease.

Notwithstanding the foregoing, no Special Tax A prepayment shall be allowed unless the amount of Maximum Special Tax A that may be levied on all Assessor's Parcels of Taxable Property, excluding all Provisional Exempt Property and all Assessor's Parcels with delinquent Special Taxes, 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, all as determined by the CFD Administrator.

Tenders of Bonds in prepayment of the Maximum Special Tax A 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.

SECTION H PARTIAL PREPAYMENT OF SPECIAL TAX A

The Special Tax A obligation for an Assessor's Parcel of Developed Property, Approved Property or Undeveloped Property may be partially prepaid. For purposes of determining the partial prepayment amount, the provisions of Section G 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 G
- F = the percent by which the owner of the Assessor's Parcel(s) is partially prepaying the Maximum Special Tax A obligation
- A = the Administrative Fees and Expenses determined pursuant to Section G

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

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

**SECTION I
MAXIMUM SPECIAL TAX B**

1. Developed Property

Maximum Special Tax B

Each Fiscal Year, each Assessor's Parcel of Residential Property, Multifamily Residential Property, or Non-Residential Property shall be subject to a Maximum Annual Special Tax B.

The Maximum Annual Special Tax B applicable to an Assessor's Parcel of Developed Property shall be determined using the Table below.

**TABLE 5
MAXIMUM SPECIAL TAX B RATES
FOR DEVELOPED PROPERTY
FISCAL YEAR 2021-22**

| Land Use Type | Maximum Special Tax B |
|----------------------------------|------------------------------|
| Residential Property | \$459 per Unit |
| Multifamily Residential Property | \$10,644 per Acre |
| Non-Residential Property | \$10,644 per Acre |

2. Approved Property, Undeveloped Property and Provisional Exempt Property

No Special Tax B shall be levied on Approved Property, Undeveloped Property, and Provisional Exempt Property.

3. Increase in the Maximum Special Tax B

On each July 1, commencing July 1, 2022, the Maximum Special Tax B shall be increased by an amount equal to five and six-tenths percent (5.6%) of the amount in effect for the previous Fiscal Year.

4. Maximum Special Tax B at Transition Year

For the Transition Year and each Fiscal Year thereafter, the Maximum Special Tax B for any Assessor's Parcel of Developed Property shall be \$0.00.

**SECTION J
METHOD OF APPORTIONMENT OF THE SPECIAL TAX B**

Commencing with Fiscal Year 2021-22 and for each following Fiscal Year, the Authority shall levy the Special Tax B at up to 100% of the applicable Maximum Special Tax B, Proportionately on each Assessor's Parcel of Developed Property until the amount of Special Tax B equals the Special Tax B Requirement.

Notwithstanding the foregoing, pursuant to Section 53321 (d) of the Act, the Special Tax B levied against an Assessor's Parcel used for private residential purposes shall under no circumstances increase more than ten (10%) as a consequence of delinquency of default by the

owner of any other Assessor’s Parcel or Assessor’s Parcels and shall, in no event, exceed the Maximum Special Tax B in effect for the Fiscal Year in which the Special Tax B is being levied.

**SECTION K
PREPAYMENT OF SPECIAL TAX B**

No prepayments of Special Tax B are permitted.

**SECTION L
MAXIMUM SPECIAL TAX C**

1. Developed Property

Maximum Special Tax C

For the Transition Year and each Fiscal Year thereafter, each Assessor’s Parcel of Residential Property, Multifamily Residential Property, or Non-Residential Property shall be subject to a Maximum Special Tax C.

The Maximum Special Tax C applicable to an Assessor's Parcel of Developed Property shall be determined using the table below.

**TABLE 6
MAXIMUM SPECIAL TAX C RATES
FOR DEVELOPED PROPERTY
FISCAL YEAR 2021-22**

| Land Use Type | Maximum Special Tax C |
|----------------------------------|------------------------------|
| Residential Property | \$975 per Unit |
| Multifamily Residential Property | \$22,609 per Acre |
| Non-Residential Property | \$22,609 per Acre |

2. Approved Property, Undeveloped Property and Provisional Exempt Property

No Special Tax C shall be levied on Approved Property, Undeveloped Property, and Provisional Exempt Property.

3. Increase in the Maximum Special Tax C

On each July 1, commencing July 1, 2022, the Maximum Special Tax C shall be increased by an amount equal to five and six-tenths percent (5.6%) of the amount in effect for the previous Fiscal Year.

For each Fiscal Year following the Transition Year, the Maximum Special Tax C shall increase on each subsequent July 1, by an amount equal to the greater of three percent (3.0%) or the positive percentage change in CPI, over the amount in effect for the previous Fiscal Year, all as determined by the CFD Administrator without additional action by the Board of Directors.

**SECTION M
METHOD OF APPORTIONMENT OF THE SPECIAL TAX C**

For the Transition Year and each Fiscal Year thereafter, the Authority shall levy the Special Tax C at up to 100% of the applicable Maximum Special Tax C, Proportionately on each Assessor's Parcel of Developed Property until the amount of Special Tax C equals the Special Tax C Requirement.

Notwithstanding the foregoing, pursuant to Section 53321 (d) of the Act, the Special Tax C levied against an Assessor's Parcel used for private residential purposes shall under no circumstances increase more than ten (10%) as a consequence of delinquency of default by the owner of any other Assessor's Parcel or Assessor's Parcels and shall, in no event, exceed the Maximum Special Tax C in effect for the Fiscal Year in which the Special Tax C is being levied.

**SECTION N
PREPAYMENT OF SPECIAL TAX C**

No prepayments of Special Tax C are permitted.

**SECTION O
TERM OF THE SPECIAL TAX A, SPECIAL TAX B, AND SPECIAL TAX C**

For each Fiscal Year that any Bonds are outstanding the Special Tax A shall be levied on all Assessor's Parcels subject to the Special Tax A. If any delinquent Annual Special Tax A amounts remain uncollected prior to or after the Transition Year, the Special Tax A may be levied to the extent necessary to reimburse CFD 20-01 for uncollected Annual Special Tax A amounts associated with the levy of such Special Tax A amounts, but not later than the 2061-62 Fiscal Year.

Prior to the Transition Year, Special Tax B shall be levied as long as the Authorized Services are being provided. Special Tax B shall not be levied during or after the Transition Year.

For the Transition Year and each Fiscal Year thereafter, Special Tax C shall be levied in perpetuity as long as the Authorized Services are being provided.

**SECTION P
EXEMPT PROPERTY**

The CFD Administrator shall classify as Exempt Property within the applicable Zone, (i) Assessor's Parcels which are owned by, irrevocably offered for dedication, encumbered by or restricted in use by the State of California, Federal or other local governments, including school districts, (ii) Assessor's Parcels which are used as places of worship and are exempt from ad valorem property taxes because they are owned by a religious organization, (iii) Assessor's Parcels which are owned by, irrevocably offered for dedication, encumbered by or which make use as a dwelling unit, or otherwise, infeasible by a homeowners' association, (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, (v) Assessor's Parcels which are privately owned and are encumbered by or restricted solely for public uses, or (vi) other types of public uses determined by the CFD Administrator. The CFD Administrator shall classify such Assessor's Parcels as Exempt Property in the chronological order in which property becomes Exempt.

Notwithstanding the foregoing, the CFD Administrator for purposes of levying the Special Tax shall not, except for any Assessor's Parcel on which the Special Tax cannot be levied pursuant to the Mello -Roos Act, classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property within the applicable Zone to less than the Acreage amounts listed in Table 6 below. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property within the applicable Zone to less than the Acreage amounts listed in Table 6 will be classified as Provisional Exempt Property, and will be subject to the levy of Special Tax pursuant to Step Five in Section F.

No Special Tax shall be levied on any Assessor's Parcel in any Fiscal Year in which such Assessor's Parcel is classified as Exempt Welfare Exemption Property.

**TABLE 6
MINIMUM TAXABLE ACRES**

| Zone | Acres |
|--------|-------|
| Zone 1 | 6.78 |
| Zone 2 | 4.75 |
| Zone 3 | 2.31 |

**SECTION Q
APPEALS AND INTERPRETATIONS**

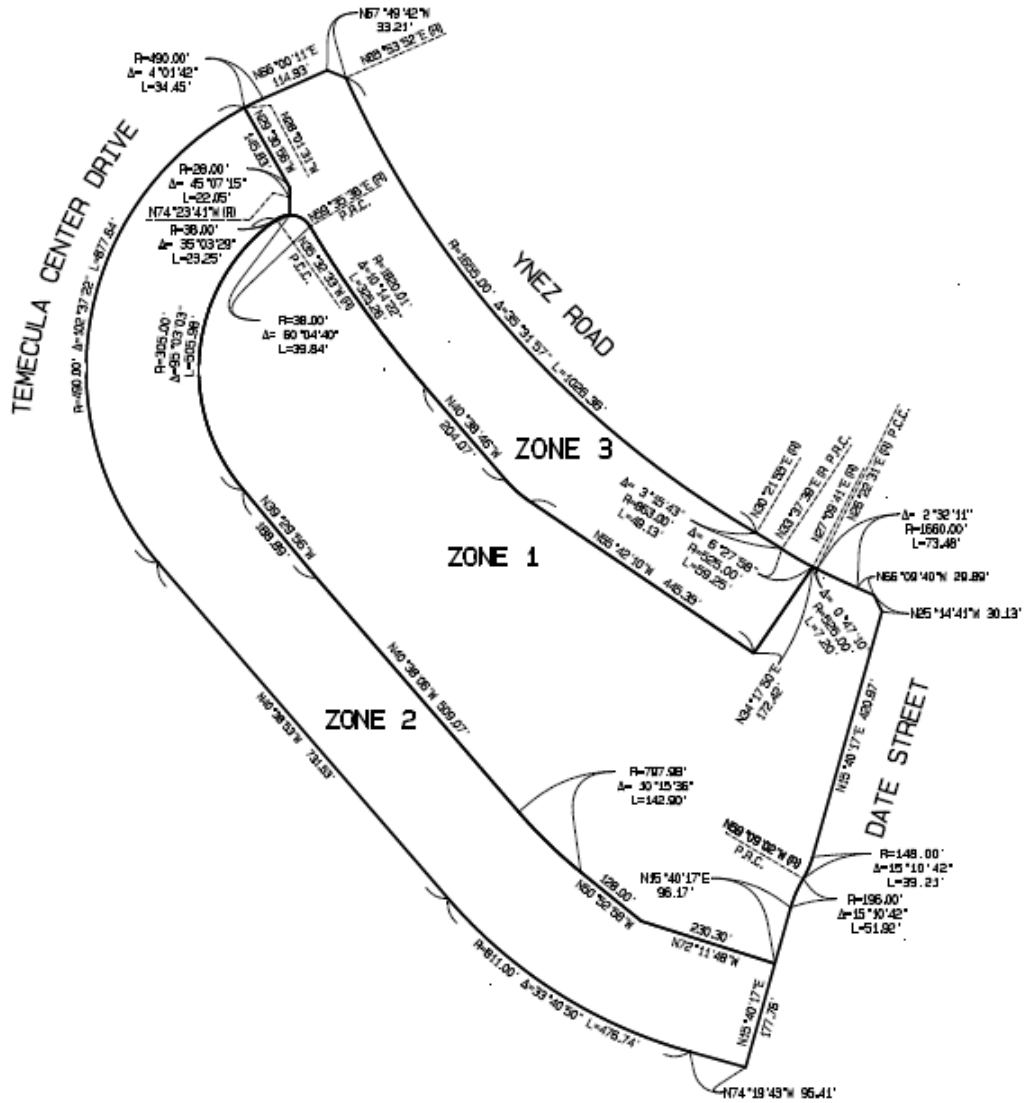
Any property owner claiming that the amount or application of the Annual Special Tax A, Annual Special Tax B, or Annual Special Tax C is not correct may file a written notice of appeal with the CFD Administrator not later than twelve months after having paid the first installment of the Annual Special Tax A, Annual Special Tax B, or Annual Special Tax C that is disputed. The CFD Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Annual Special Tax A, Annual Special Tax B, or Annual Special Tax C in dispute and rule on the appeal. If the CFD Administrator's decision requires that the Annual Special Tax A, Annual Special Tax B, or Annual Special Tax C for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy in the case of the Annual Special Tax A), but an adjustment shall be made to the Annual Special Tax A, Annual Special Tax B, or Annual Special Tax C on that Assessor's Parcel in the subsequent Fiscal Year(s).

The Board of Directors may interpret this Rate and Method of Apportionment of Special Tax for purposes of clarifying any ambiguity or to correct or supplement any defective or inconsistent provision hereof.

**SECTION R
MANNER OF COLLECTION**

The Annual Special Tax A, Annual Special Tax B, and Annual Special Tax C shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that CFD 20-01 may collect the Annual Special Tax A, Annual Special Tax B, and Annual Special Tax C at a different time or in a different manner if necessary to meet its financial obligations.

ATTACHMENT A



Zone 1: Tentative Tract Map No. 37509, Lots 1-111, Lots A (portion), U-X, Y (portion), Z and AC.

Zone 2: Tentative Tract Map No. 37509, Lots 121-142, Lots H (portion), J-S, T (portion), and Y (portion).

Zone 3: Tentative Tract Map No. 37509, Lots 112-120, Lots A (portion), B-G, H (portion), I, T (portion), Y (portion), AA and AB.

APPENDIX C
SUMMARY OF THE FISCAL AGENT AGREEMENT

[to come]

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

March __, 2024

Board of Directors
Temecula Public Financing Authority
41000 Main Street
Temecula, California 92589-9033

OPINION: \$_____ Temecula Public Financing Authority Community Facilities
District 20-01 (Heirloom Farms) 2024 Special Tax Bonds

Members of the Board of Directors:

We have acted as bond counsel in connection with the issuance by the Temecula Public Financing Authority (the "Authority"), for and on behalf of the Temecula Public Financing Authority Community Facilities District No. 20-01 (Heirloom Farms) (the "District"), of its \$_____ Temecula Public Financing Authority Community Facilities District 20-01 (Heirloom Farms) 2024 Special Tax Bonds (the "Bonds") pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.*, of the California Government Code) (the "Act"), a Fiscal Agent Agreement, dated as of March 1, 2024 (the "Fiscal Agent Agreement"), by and between the Authority, for and on behalf of the District, and U.S. Bank Trust Company, National Association, as fiscal agent, and Resolution No. TPFA 2024-_____ adopted by the Board of Directors of the Authority on February 13, 2024 (the "Resolution").

In connection with this opinion, we have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Resolution and in the Fiscal Agent Agreement, and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Authority is duly created and validly existing as a joint exercise of powers agency, with the power to adopt the Resolution, enter into the Fiscal Agent Agreement and perform the agreements on its part contained therein, and to issue the Bonds.
2. The Fiscal Agent Agreement has been duly entered into by the Authority and constitutes a valid and binding obligation of the Authority enforceable upon the Authority in accordance with its terms.
3. Pursuant to the Act, the Fiscal Agent Agreement creates a valid lien on the funds pledged by the Fiscal Agent Agreement for the security of the Bonds, on a parity with the pledge thereof for the security of any Parity Bonds that may be issued under, and as such term is defined in, the Fiscal Agent Agreement.

4. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding limited obligations of the Authority for the District, payable solely from the sources provided therefor in the Fiscal Agent Agreement.

5. Subject to the Authority's compliance with certain covenants, interest on the Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes, and (ii) is not included as an item of tax preference in computing the alternative minimum tax for individuals under the Internal Revenue Code of 1986, as amended. However, interest on the Bonds may affect the corporate alternative minimum tax for certain corporations. Failure by the Authority to comply with certain of such covenants could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Resolution and the Fiscal Agent Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the Authority and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX E

**FORM OF CONTINUING DISCLOSURE AGREEMENT
OF THE AUTHORITY**

THIS CONTINUING DISCLOSURE AGREEMENT (the “Disclosure Agreement”), dated as of March 1, 2024, is by and between WEBB MUNICIPAL FINANCE, LLC, as dissemination agent (the “Dissemination Agent”), and the TEMECULA PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California (the “Authority”).

RECITALS:

WHEREAS, the Authority has issued, for and on behalf of the Temecula Public Financing Authority Community Facilities District No. 20-01 (Heirloom Farms) (the “District”), its Temecula Public Financing Authority Community Facilities District No. 20-01 (Heirloom Farms) 2024 Special Tax Bonds (the “Bonds”); and

WHEREAS, the Bonds have been issued pursuant to a Fiscal Agent Agreement, dated as of March 1, 2024 (the “Fiscal Agent Agreement”), by and between U.S. Bank Trust Company, National Association, as fiscal agent, and the Authority, for and on behalf of the District; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the Authority and the Dissemination Agent for the benefit of the owners and beneficial owners of the Bonds and in order to assist the underwriter of the Bonds in complying with S.E.C. Rule 15c2-12(b)(5).

AGREEMENT:

NOW, THEREFORE, for and in consideration of the premises and mutual covenants herein contained, and for other consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. In addition to the definitions of capitalized terms set forth in Section 1.03 of the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section or in the Recitals above, the following terms shall have the following meanings when used in this Disclosure Agreement:

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

“*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 persons holding any Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bond for federal income tax purposes.

“*Disclosure Representative*” means the Treasurer, or such person’s designee, or such other officer or employee of the Authority as the Authority shall designate as the Disclosure Representative hereunder in writing to the Dissemination Agent from time to time.

“*Dissemination Agent*” means Webb Municipal Finance, LLC, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Authority a written acceptance of such designation.

“EMMA” or “*Electronic Municipal Market Access*” means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

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

“*Official Statement*” means the Official Statement, dated March __, 2024, relating to the Bonds.

“*Participating Underwriter*” means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means 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.

“*Significant Event*” means any of the events listed in Section 5(a) of this Disclosure Agreement.

Section 2. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Authority and the Dissemination Agent for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report.* The Authority shall, or shall cause the Dissemination Agent to, not later than the March 1 occurring after the end of each fiscal year of the Authority, commencing with the report for the 2023-24 fiscal year, which is due not later than March 1, 2025, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that any audited financial statements of the Authority may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year.* If the Authority’s fiscal year changes, it shall give notice of such change in the same manner as for a Significant Event under Section 5(b), and subsequent Annual Report filings shall be made no later than six months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent.* Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b) of this Section 3 for providing the Annual Report to EMMA), the Authority shall provide the Annual Report to the Dissemination Agent (if other than the Authority). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the Authority.

(d) *Report of Non-Compliance.* If the Authority is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the Authority shall in a timely manner send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the Authority is not the Dissemination Agent and is unable to

provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice in a timely manner to EMMA in substantially the form attached hereto as Exhibit A in a timely manner.

(e) *Annual Compliance Certification.* The Dissemination Agent shall, if the Dissemination Agent is other than the Authority, file a report with the Authority certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Agreement, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. (a) *Financial Statements.* The Annual Report for each fiscal year commencing with the Annual Report for the 2023-24 fiscal year, shall contain or incorporate by reference audited financial statements of the Authority for the most recently completed fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Authority's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* The Annual Report for each fiscal year commencing with fiscal year 2023-24 shall also include the following information:

(i) The principal amount of Bonds Outstanding as of the September 30 next preceding the date of the Annual Report.

(ii) The balance in the Delinquency Maintenance Fund, if any, and in the Reserve Fund, and a statement of DMF Requirement (if more than \$0) and the Reserve Requirement, as of the September 30 next preceding the date of the Annual Report.

(iii) The balance in each of the accounts within the Improvement Fund, if any, as of the September 30 next preceding the date of the Annual Report.

(iv) A table similar to Table 3 in the Official Statement (which shows Value-to-Lien by property owner) substituting the most recent County Assessed Values (if an appraisal not less than 120 days old is not available), except that the Authority may aggregate property owners that individually own property allocated less than two percent (2%) of the outstanding principal of the 2024 Bonds.

(v) A table setting forth the annual aggregate Special Tax levy in the District for the most recent two Fiscal Years, and the number of parcels with delinquent Special Tax A, and the amount and percentage of the overall Special Tax A levy for the delinquent parcels, and an update of prior years' delinquencies as of a date not more than ninety (90) days prior to the date of the Annual Report.

(vi) A table similar to Table 4 in the Official Statement summarizing for the then current Fiscal Year the value-to-lien ratio of the parcels in the District subject to the levy of Special Tax A using the most recently available County assessed values.

(vii) The status of foreclosure proceedings for any parcels within the District on which the Special Taxes are levied and a summary or the results of any foreclosure sales, or other collection efforts with respect to delinquent Special Taxes, as of the September 30 next preceding the date of the Annual Report.

(viii) The identity of any property owner representing more than five percent (5%) of the annual Special Tax A levy who is delinquent in payment of such Special

Taxes, as shown on the assessment roll of the County Assessor last equalized prior to the September 30 next preceding the date of the Annual Report, the number of parcels so delinquent, and the total dollar amount of all such delinquencies.

(ix) The most recent annual information required to be provided to the California Debt and Investment Advisory Commission pursuant to Section 9.07(A) of the Fiscal Agent Agreement.

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, which are available to the public on EMMA. The Authority shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the Authority shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) The Authority shall, or shall cause the Dissemination Agent (if not the Authority) to, give notice of the occurrence of any of the following events with respect to the Bonds:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, 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;

(vii) Modifications to rights of security holders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the securities, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the Authority or other obligated person;

(xiii) The consummation of a merger, consolidation, or acquisition involving the Authority or an obligated person, or the sale of all or substantially all of the assets of the Authority or an 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;

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) The incurrence of a financial obligation of the Authority or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority or other obligated person, any of which affect security holders, if material; or

(xvi) A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Authority or other obligated person, any of which reflect financial difficulties.

(b) Whenever the Authority obtains knowledge of the occurrence of a Significant Event, the Authority shall, or shall cause the Dissemination Agent (if not the Authority) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Significant Event. Notwithstanding the foregoing, notice of Significant Events described in subsection (a)(viii) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Fiscal Agent Agreement.

(c) The Authority acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), (a)(xiv) and (a)(xv) of this Section 5 contain the qualifier “if material.” The Authority shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the Authority determines the event’s occurrence is material for purposes of U.S. federal securities law. The Authority intends that the words used in paragraphs (xv) and (xvi) and the definition of “financial obligation” to have the meanings ascribed thereto in SEC Release No. 34-83885 (August 20, 2018), or any further guidance or releases provided by Securities and Exchange Commission.

(d) For purposes of this Disclosure Agreement, any event described in paragraph (a)(xii) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Authority in a proceeding under the United States 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 Authority, or if such jurisdiction has been assumed by leaving the existing governing 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 Authority.

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

Section 7. Termination of Reporting Obligation. The Authority's obligations under this Disclosure Agreement shall terminate upon the 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 Authority shall give notice of such termination in the same manner as for a Significant Event under Section 5(b).

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent*. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Webb Municipal Finance, LLC.

If the Dissemination Agent is not the Authority, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Authority pursuant to this Disclosure Agreement. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the Authority. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Agreement and has no liability to any person, including any Bond owner, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the Authority shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the Authority.

(b) *Compensation of Dissemination Agent*. The Dissemination Agent shall be paid compensation by the Authority for its services provided hereunder as agreed to between the Dissemination Agent and the Authority from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder, with payment to be made from any lawful funds of the District. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Authority, the owners of the Bonds, the Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any written direction from the Authority or a written opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the Authority. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent*. In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the Authority to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the Authority under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Authority that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Agreement may be waived, provided that all of the following conditions are satisfied:

(a) *Change in Circumstances*. If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted.

(b) *Compliance as of Issue Date.* The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) *Consent of Holders; Non-impairment Opinion.* The amendment or waiver either (i) is approved by the Bond owners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of Bond owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bond owners or Beneficial Owners.

If this Disclosure Agreement is amended or any provision of this Disclosure Agreement is waived, the Authority shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Significant Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Significant Event, in addition to that which is required by this Disclosure Agreement. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Significant Event in addition to that which is specifically required by this Disclosure Agreement, the Authority shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or future notice of occurrence of a Significant Event.

Section 11. Default. In the event of a failure of the Authority to comply with any provision of this Disclosure Agreement, any Bond owner, any Beneficial Owner, the Fiscal Agent or the Participating Underwriter may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this Disclosure Agreement. The sole remedy under this Disclosure Agreement in the event of any failure of the Authority to comply with this Disclosure Agreement shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and the owners and the Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

TEMECULA PUBLIC FINANCING
AUTHORITY

By: _____
Aaron Adams,
Executive Director

WEBB MUNICIPAL FINANCE, LLC, as
Dissemination Agent

By: _____
Its: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: Temecula Public Financing Authority
Name of Bond Issue: Temecula Public Financing Authority Community Facilities District No. 20-01 (Heirloom Farms), 2024 Special Tax Bonds
Date of Issuance: March __, 2024

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Bonds as required by Section 5.17 of the Fiscal Agent Agreement, dated as of March 1, 2024, between the Obligor and U.S. Bank Trust Company, National Association, as fiscal agent. The Obligor anticipates that the Annual Report will be filed by _____.

Date: _____

By: Webb Municipal Finance, LLC, as
Dissemination Agent

APPENDIX F

FORM OF DEVELOPER CONTINUING DISCLOSURE CERTIFICATE

This Developer Continuing Disclosure Certificate (the "Disclosure Certificate") dated as of March 1, 2024 is executed and delivered by Meritage Homes of California, Inc., a California corporation (the "Landowner") in connection with the issuance by Temecula Public Financing Authority (the "Authority") Community Facilities District No. 20-01 (Heirloom Farms) (the "District") of the Temecula Public Financing Authority Community Facilities District No. 20-01 (Heirloom Farms) 2024 Special Tax Bonds (the "Bonds"). The Bonds are being issued pursuant to the Fiscal Agent Agreement dated as of March 1, 2024 (the "Fiscal Agent Agreement") by and between the Authority and U.S. Bank Trust Company National Association, as 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 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).

"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 District a written acceptance of such designation.

"District" shall mean Temecula Public Financing Authority Community Facilities District No. 20-01 (Heirloom Farms).

"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 _____, 2024, 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 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 Stifel, Nicolaus & Company, Incorporated.

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 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 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 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 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 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 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 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 District, or their respective ability to pay Special Taxes levied on their respective Property within the 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 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 257 of the residential units in the District to individual homeowners.

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 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 District and the Trustee.

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 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: nicholas.harris@meritagehomes.com
Telephone: (949) 372-3315

Underwriter: Stifel, Nicolaus & Company, Incorporated
2121 Avenue of the Stars, Suite 2150
Los Angeles, CA 90067
Attn: Public Finance Department
Email: sbrown@stifel.com

SECTION 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Landowner, the City, the District, the Dissemination Agent, the Underwriter and owners of the Bonds and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

MERITAGE HOMES OF CALIFORNIA, INC., a
California corporation

By: _____
Aaron Talarico, Vice President

APPENDIX G

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix F has been provided by The Depository Trust Company (“DTC”), New York, NY, for use in securities offering documents, and the Authority does not take responsibility for the accuracy or completeness thereof. The Authority cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the 2024 Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the 2024 Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

The following description of DTC, the procedures and record keeping with respect to beneficial ownership interests in the 2024 Bonds, payment of principal, interest and other payments on the 2024 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2024 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the Authority as the issuer of the 2024 Bonds (the “Issuer”) nor the fiscal agent or paying agent appointed with respect to the 2024 Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2024 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2024 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2024 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2024 Bonds (the “Securities”). The Securities 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 Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. 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”). On August 8, 2011, Standard & Poor’s downgraded its rating of DTC from AAA to 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. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or 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.

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

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

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

APPENDIX H
APPRAISAL REPORT