

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

**PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2026**

**NEW ISSUE — BOOK-ENTRY ONLY**

**Ratings: Insured Bonds: S&P “\_”**

**Underlying/Uninsured Bonds: S&P “\_”**

**See the caption “CONCLUDING INFORMATION—Ratings”**

*In the opinion of Stradling Yocca Carlson & Rauth LLP, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See the caption “CONCLUDING INFORMATION—Tax Matters” with respect to tax consequences relating to the Bonds, including with respect to the alternative minimum tax imposed on certain large corporations.*

COUNTY OF ORANGE

STATE OF CALIFORNIA

**\$16,005,000\***

**CITY OF ORANGE COMMUNITY FACILITIES DISTRICT NO. 06-1  
(DEL RIO PUBLIC IMPROVEMENTS)  
2026 SPECIAL TAX REFUNDING BONDS**

**Dated: Date of Delivery**

**Due: October 1, as shown on the inside cover page**

The City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements) 2026 Special Tax Refunding Bonds (the “**Bonds**”) are being issued by City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements) (the “**District**”) pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the “**CFD Act**”), and a Bond Indenture, dated as of July 1, 2026 (the “**Indenture**”), by and between the District and U.S. Bank Trust Company, National Association, as trustee (the “**Trustee**”), and will be secured as described herein. See the caption “**SECURITY FOR THE BONDS**.”

The Bonds are being issued: (i) together with other available funds, to refund the outstanding City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements) 2015 Special Tax Refunding Bonds (the “**2015 Bonds**”); (ii) to pay the premium for a Municipal Bond Debt Service Reserve Insurance Policy for deposit in the Reserve Account to fund 50% of the initial Reserve Requirement and fund a cash deposit for the remaining 50% of the initial Reserve Requirement; and (iii) to pay certain costs of issuance of the Bonds, including the premium for an insurance policy insuring the Insured Bonds (defined below).

The Bonds will be secured by special tax liens on taxable property within the District and certain funds held by the Trustee under the Indenture. The City of Orange (the “**City**”) has determined that it will not obligate itself to advance funds from its treasury to cover any delinquency on the Bonds. See the caption “**SECURITY FOR THE BONDS**.”

The Bonds will be issued in book-entry form, initially registered in the name of Cede & Co., New York, New York, as nominee of The Depository Trust Company (“**DTC**”), New York, New York. Interest on the Bonds will be payable on October 1, 2026 and each April 1 and October 1 thereafter. Purchasers will not receive certificates representing their interest in the Bonds. Individual purchases of Bonds will be in principal amounts of \$5,000 or in any integral multiple of \$5,000. Payments of principal and interest will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants, which will remit such payments to the beneficial owners of the Bonds.

**The Bonds are subject to optional redemption, mandatory sinking fund redemption and extraordinary redemption from Special Tax prepayments prior to maturity as set forth herein. See the caption “THE BONDS—Redemption.”**

ALL OBLIGATIONS OF THE DISTRICT UNDER THE INDENTURE AND THE BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT, PAYABLE SOLELY FROM THE NET TAXES AND THE FUNDS PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT (EXCEPT TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), THE CITY OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY NOR GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES.

The scheduled payment of principal of and interest on the Bonds maturing on October 1 of the years 20\_\_ through 20\_\_,\* inclusive (collectively, the “**Insured Bonds**”), when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Insured Bonds by [Insurer] (the “**Insurer**” or “[INSURER]”). The Insurer will also issue a debt service reserve insurance policy concurrently with the issuance of the Bonds to be credited to the Reserve Account for the Bonds to satisfy 50% of the initial Reserve Requirement. See “**BOND INSURANCE**” herein.

[INSURER’S LOGO]

See the caption “**SPECIAL RISK FACTORS**” for a discussion of certain risk factors that should be considered in addition to the other matters set forth herein when evaluating the investment quality of the Bonds. This cover page contains certain information for general reference only. It is not a complete summary of the Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

**MATURITY SCHEDULE**

(See inside cover)

*The Bonds are offered, when, as and if issued and accepted by the Underwriter, subject to approval as to their validity by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the City and the District by the City Attorney, and by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Disclosure Counsel, for the Underwriter by Anzel Galvan LLP, San Francisco, California, for the Insurer by its counsel and for the Trustee by its counsel. It is anticipated that the Bonds will be available for delivery in book-entry form through the facilities of DTC on or about \_\_\_\_\_, 2026.*

[UNDERWRITER’S LOGO]

Dated: \_\_\_\_\_, 2026

\* Preliminary, subject to change.

**\$16,005,000\***  
**CITY OF ORANGE COMMUNITY FACILITIES DISTRICT NO. 06-1**  
**(DEL RIO PUBLIC IMPROVEMENTS)**  
**2026 SPECIAL TAX REFUNDING BONDS**

**MATURITY SCHEDULE**

Base CUSIP<sup>®†</sup>: \_\_\_\_\_

<i><b>Maturity Date (October 1)</b></i>	<i><b>Principal Amount</b></i>	<i><b>Interest Rate</b></i>	<i><b>Yield</b></i>	<i><b>Price</b></i>	<i><b>CUSIP<sup>®†</sup></b></i>
	\$	%	%		

\$ \_\_\_\_\_ % Term Bonds Due October 1, \_\_\_\_\_, Yield \_\_\_\_\_ %, Price \_\_\_\_\_, CUSIP<sup>®†</sup> \_\_\_\_\_  
 \$ \_\_\_\_\_ % Term Bonds Due October 1, \_\_\_\_\_, Yield \_\_\_\_\_ %, Price \_\_\_\_\_, CUSIP<sup>®†</sup> \_\_\_\_\_

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*\* Preliminary, subject to change.*

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*<sup>‡</sup> Insured Bond.*

**THE CITY OF ORANGE**

**CITY COUNCIL**

Dan Slater, Mayor  
Denis Bilodeau, Mayor Pro Tem  
Arianna Barrios, Council Member  
Jon Dumitru, Council Member  
Kathy Tavoularis, Council Member  
Ana Gutierrez, Council Member  
John Gyllenhammer, Council Member

**OFFICIALS**

Jarad Hildenbrand, City Manager  
Trang Nguyen, Finance Director  
Garrett Smith, City Treasurer  
Nathalie Adourian, City Attorney  
Pamela Coleman, City Clerk

**Bond and Disclosure Counsel**

Stradling Yocca Carlson & Rauth LLP  
Newport Beach, California

**Municipal Advisor**

Fieldman, Rolapp & Associates, Inc.  
Irvine, California

**Verification Agent**

Robert Thomas CPA, LLC  
Minneapolis, Minnesota

**Special Tax Consultant**

Willdan Financial Services  
Temecula, California

**Trustee/Escrow Agent**

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

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

The information set forth herein which has been obtained from parties other than the City and the District is believed to be reliable but is not guaranteed as to accuracy or completeness by the City or the District. The information and expressions of opinion stated herein are subject to change without notice. The delivery of this Official Statement shall not, under any circumstances, create any implication that there has been no change in the affairs of the City or the District since the date hereof.

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

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

The information herein relating to the Bonds, the District and the City does not purport to be comprehensive or definitive. All references to the Bonds are qualified in their entirety by reference to the Indenture setting forth the terms and descriptions thereof. The summaries and references to any code, act, resolution or the Indenture, and to other statutes and documents in this Official Statement, do not purport to be comprehensive or definitive, and are qualified in their entirety by reference to each statute and document.

IN CONNECTION WITH THIS BOND UNDERWRITING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS DESCRIBED HEREIN AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget,” “intend” or similar words. The achievement of certain results or other expectations contained in such forward-looking statements are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. No assurance is given that actual results will meet the forecasts set forth herein in any way, regardless of the optimism communicated in the information, and such statements speak only as of the date of this Official Statement. The City and the District disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this Official Statement to reflect any changes in the expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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

The City maintains a website and certain social media accounts; however, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

[[Insurer] (the “**Insurer**”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, the Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Insurer, supplied by the Insurer and presented under the caption “BOND INSURANCE” and in Appendix G—“SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”]

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**\$16,005,000\***  
**CITY OF ORANGE COMMUNITY FACILITIES DISTRICT NO. 06-1**  
**(DEL RIO PUBLIC IMPROVEMENTS)**  
**2026 SPECIAL TAX REFUNDING BONDS**

**INTRODUCTION**

**Summary**

This Official Statement is provided to furnish certain information in connection with the issuance and sale by City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements) (the “**District**”) of \$16,005,000\* aggregate principal amount of City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements) 2026 Special Tax Refunding Bonds (the “**Bonds**”).

The Bonds will be issued pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, constituting Section 53311 *et seq.* of the Government Code of the State of California (the “**CFD Act**”), and a Bond Indenture, dated as of July 1, 2026 (the “**Indenture**”), by and between the District and U.S. Bank Trust Company, National Association, as trustee (the “**Trustee**”). Capitalized terms that are used in this Official Statement and not defined have the meanings which are ascribed thereto in Appendix A.

The Bonds are being issued: (i) together with other available funds, to refund the outstanding City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements) 2015 Special Tax Refunding Bonds (the “**2015 Bonds**”); (ii) to pay the premium for a Municipal Bond Debt Service Reserve Insurance Policy (the “**Reserve Policy**”) to be issued by [Insurer] (the “**Insurer**”) for deposit in the Reserve Account to fund 50% of the initial Reserve Requirement and fund a cash deposit for the remaining 50% of the initial Reserve Requirement; and (iii) to pay certain costs of issuance of the Bonds, including the premium for a Municipal Bond Insurance Policy (the “**Policy**”) insuring the Bonds maturing on October 1 of the years 20\_\_ through 20\_\_, inclusive (collectively, the “**Insured Bonds**”), to be issued by the Insurer concurrently with the issuance of the Bonds]. See the caption “THE REFUNDING PLAN.”

The Bonds are limited obligations of the District payable from Net Taxes (as such term is defined under the caption “SECURITY FOR THE BONDS—Payment of the Bonds—General”) which are derived from the levy of Special Taxes on certain taxable property within the District and from certain funds held by the Trustee under the Indenture. See the caption “THE DISTRICT” for information related to the property within the District subject to the lien of the Special Taxes.

The District was formed on December 12, 2006 for the purpose of financing a portion of certain public improvements within the City of Orange (the “**City**”), a general law city organized and existing under the laws of the State of California. The District is located in the northwestern portion of the City, adjacent to the City of Anaheim, west of Glassell Avenue and north of Lincoln Avenue. A portion of the boundary of the District runs along the bank of the Santa Ana River. The District is part of an area known as the Riverbend community. The District is fully built out. The District includes approximately 73.64 gross acres, within which there are approximately 43 acres of developed single family residential properties (comprising 597 parcels of taxable property), a 10.5 acre public sports park, six acres of bio-swale area and 13.5 acres of public streets. See the caption “THE DISTRICT.”

ALL OBLIGATIONS OF THE DISTRICT UNDER THE INDENTURE AND THE BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT, PAYABLE SOLELY FROM THE NET TAXES AND THE FUNDS PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT (EXCEPT TO THE LIMITED EXTENT SET FORTH IN THE

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\* Preliminary, subject to change.

INDENTURE), THE CITY OR THE STATE OF CALIFORNIA (THE “STATE”) OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY NOR GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES.

### **Covenant to Foreclose**

The District has covenanted in the Indenture to commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$10,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due and to diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided, however, that the District is not required to undertake any such foreclosure proceedings if: (i) the amount of Special Taxes collected by the October 1 for the most recent Fiscal Year was equal to 95% or more of the total Special Tax levied in such Fiscal Year; and (ii) the amount on deposit in the Reserve Account and any reserve account established in connection with the issuance of such Parity Bonds as of October 1 was at least equal to the Reserve Requirement. See the caption “SECURITY FOR THE BONDS—Covenant to Foreclose.”

### **No Parity Bonds Except for Refunding Purposes**

The District has covenanted in the Indenture that, except as described below, it will not issue any other obligations payable, as to principal or interest, from the Net Taxes which have, or purport to have, any lien upon the Net Taxes superior to or on a parity with the lien of the Bonds, other than Parity Bonds. Under the Indenture, the District may at any time after the issuance and delivery of the Bonds issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund (other than in the Administrative Expenses Account therein) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be issued for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then Outstanding and the conditions precedent in the Indenture are satisfied, including the requirement that the issuance of such Parity Bonds will result in a reduction of Annual Debt Service on the Bonds and any Parity Bonds to be Outstanding following the issuance of such Parity Bonds.

### **Bond Insurance**

[The scheduled payment of principal of and interest on the Insured Bonds (consisting of the Bonds maturing on October 1, 20\_\_ through 20\_\_, inclusive, October 1, 20\_\_ and October 1, 20\_\_) when due will be guaranteed under the Policy to be issued by the Insurer concurrently with the delivery of the Bonds. See the caption “BOND INSURANCE.”

The Bonds maturing on October 1 of the years 20\_\_ through 20\_\_, inclusive, are *not* insured under the Policy.]

### **Reserve Account**

A Reserve Account for the Bonds has been established pursuant to the Indenture. The Reserve Requirement for the Bonds, as of the date of issuance of the Bonds, equals \$\_\_\_\_. The Reserve Requirement on the date the Bonds are issued will be satisfied at the time of issuance of the Bonds by the deposit of cash in the amount of 50% of the Reserve Requirement and the deposit of the Reserve Policy in the stated amount of 50% of the Reserve Requirement. Subject to the limitations set forth in the Indenture, the Trustee may draw upon the Reserve Policy to pay the principal of, including sinking fund payments, and interest on the Bonds

when due in the event that the moneys in the Special Tax Fund are insufficient therefor. See the caption “SECURITY FOR THE BONDS—Repayment of the Bonds—Reserve Account of the Special Tax Fund.”

In the event of a draw on the Reserve Policy or the failure by the Insurer to honor a draw request, the District has no obligation to replenish the Reserve Account with cash or to provide an alternate reserve policy.

## Risk Factors

See the caption “SPECIAL RISK FACTORS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds generally.

Brief descriptions of the Bonds, the security for the Bonds, the District, the City and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions in this Official Statement of the Bonds, the Indenture and other documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the Bonds, the Indenture and such other documents.

## THE REFUNDING PLAN

The Bonds are being issued in order to provide funds to defease and refund in full the 2015 Bonds, which are described in the following table. The 2015 Bonds were issued to refinance capital improvements authorized to be funded by the District.

**TABLE 1**  
**2015 BONDS\***

<i>Principal Payment Date (October 1)</i>	<i>CUSIP®† (684076)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Redemption Price</i>	<i>Redemption Date</i>
2026	FE7	\$ 755,000	3.00%	100%	October 1, 2026
2027	FF4	810,000	3.00	100	October 1, 2026
2028	FG2	865,000	3.12	100	October 1, 2026
2029	FH0	925,000	3.25	100	October 1, 2026
2030	FJ6	985,000	3.25	100	October 1, 2026
2031	FK3	1,050,000	3.25	100	October 1, 2026
2032	FL1	1,120,000	3.50	100	October 1, 2026
2033	FM9	1,195,000	3.50	100	October 1, 2026
2034	FN7	1,270,000	3.50	100	October 1, 2026
2040 <sup>T</sup>	FQ0	<u>9,820,000</u>	5.00	100	October 1, 2026
<b>TOTAL</b>		<b>\$ 18,795,000</b>			

<sup>T</sup> Term Bonds.

Under an Escrow Agreement (2015 Bonds), dated as of July 1, 2026 (the “Escrow Agreement”), by and between the District and U.S. Bank Trust Company, National Association, as escrow agent (the “Escrow

\* Preliminary, subject to change.

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

**Agent**”), the District will deliver a portion of the proceeds of the Bonds which, together with moneys held in certain funds related to the 2015 Bonds, will be deposited by the Escrow Agent in the escrow fund established under the Escrow Agreement (the “**Escrow Fund**”).

The Escrow Agent will invest a portion of the amounts deposited in the Escrow Fund in federal securities as set forth in the Escrow Agreement. From the moneys on deposit in the Escrow Fund and the investment earnings thereon, the Escrow Agent will pay: (i) the regularly scheduled principal of and interest on the outstanding 2015 Bonds maturing on October 1, 2026 (the “**Redemption Date**”); and (ii) on the Redemption Date, the redemption price on the principal of the outstanding 2015 Bonds maturing after the Redemption Date, plus interest with respect thereto accrued through the Redemption Date, without premium.

Sufficiency of the deposits in the Escrow Fund for such purposes will be verified by Robert Thomas CPA, LLC (the “**Verification Agent**”). Assuming the accuracy of such computations, as a result of the deposit and application of funds as provided in the Escrow Agreement, the 2015 Bonds will be defeased pursuant to the provisions of the fiscal agent agreement under which they were issued as of the date of issuance of the Bonds.

Upon the issuance of the Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to it by the Underwriter relating to the adequacy of the moneys deposited in the Escrow Fund to pay: (i) the principal of and interest on the outstanding 2015 Bonds maturing on the Redemption Date; and (ii) on the Redemption Date, the principal of the outstanding 2015 Bonds maturing after the Redemption Date, plus interest with respect thereto accrued through the Redemption Date, without premium.

The amounts held by the Escrow Agent in the Escrow Fund are pledged solely to the payment of the outstanding 2015 Bonds. Neither the funds deposited in the Escrow Fund, nor any interest thereon, will be available for the payments of principal of or interest on the Bonds.

**TABLE 2  
ESTIMATED SOURCES AND USES**

The estimated sources and uses of funds with respect to the Bonds and amounts transferred by the District to the Escrow Agent are set forth in the following table:

<i><b>Sources of Funds</b></i> <sup>(1)</sup>	
Principal Amount of Bonds	\$
Plus Net Original Premium	
Plus Other Available Moneys <sup>(2)</sup>	
<i><b>Total Sources</b></i>	\$
 <i><b>Uses of Funds</b></i> <sup>(1)</sup>	
Transfer to Escrow Agent for Deposit in Escrow Fund	\$
Underwriter’s Discount	
Reserve Account <sup>(3)</sup>	
Costs of Issuance <sup>(4)</sup>	
<i><b>Total Uses</b></i>	\$

(1) Rounded to nearest dollar.  
(2) Includes moneys on deposit in funds and accounts related to the 2015 Bonds.  
(3) Equal to 50% of the Reserve Requirement. The remaining 50% will be satisfied by the Reserve Policy.  
(4) Includes legal fees, Municipal Advisor fees, printing fees, Trustee fees, Escrow Agent fees, Special Tax Consultant fees, Verification Agent fees, premiums for the Policy and the Reserve Policy and other Costs of Issuance.

## THE BONDS

### Description of the Bonds

The Bonds will be issued in fully registered form and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 or any integral multiple thereof. The Bonds will be dated their date of delivery. The Bonds will bear interest at the rates per annum and will mature, subject to the redemption provisions set forth below, on the dates and in the principal amounts, all as set forth on the inside cover page of this Official Statement.

Interest on the Bonds is payable semiannually on October 1, 2026 and each April 1 and October 1 thereafter (each, an “**Interest Payment Date**”) to the persons in whose names ownership of the Bonds is registered on the Bond Register at the close of business on the immediately preceding Record Date, except as provided in the Indenture. “**Record Date**” means, with respect to any Interest Payment Date, the fifteenth calendar day of the month immediately preceding such Interest Payment Date. Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of such Bond, unless: (a) such date of authentication is an Interest Payment Date, in which event interest will be payable from such date of authentication; (b) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication; or (c) the date of authentication is prior to the close of business on the first Record Date occurring after the issuance of such Bond, in which event interest will be payable from the dated date of such Bond; provided, however, that if at the time of authentication of such Bond, interest is in default, interest on such Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or, if no interest has been paid or made available for payment on such Bond, interest on such Bond will be payable from its dated date.

Interest on any Bond will be paid to the person whose name appears in the Bond Register as the Owner of such Bond as of the close of business on the Record Date. Such interest will be paid by check of the Trustee mailed on the applicable Interest Payment Date by first class mail, postage prepaid, to such Bondowner at his or her address as it appears on the Bond Register. In addition, upon a request in writing received by the Trustee on or before the applicable Record Date from an Owner of \$1,000,000 or more in principal amount of the Bonds or of any issue of Parity Bonds, payment will be made on the Interest Payment Date by wire transfer in immediately available funds to an account designated in writing by such Owner. Notwithstanding the foregoing, as long as DTC is the Owner of all or part of the Bonds, said interest payments will be made to DTC in accordance with the procedures of DTC, which as of the date of issuance of the Bonds are by wire transfer in immediately available funds.

The Bonds will mature on October 1 in the principal amounts and years as shown on the inside front cover page hereof and are subject to optional redemption, mandatory sinking fund redemption and extraordinary redemption from Special Tax prepayments as described under the caption “—Redemption.”

The Bonds will be issued in book-entry form, initially registered in the name of Cede & Co., as nominee of DTC. Payment of interest with respect to any Bond registered as of each Record Date in the name of Cede & Co. will be made by wire transfer of same-day funds to the account of Cede & Co. See Appendix D.

**Redemption\***

**Optional Redemption.** The Bonds with stated maturities on or after October 1, 2037 are subject to redemption prior to their respective stated maturities, as a whole or in part, as directed by the District in a written request provided to the Trustee at least 35 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to redemption, by lot within each maturity in integral multiples of \$5,000, on October 1, 2036 or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

**Mandatory Sinking Fund Redemption.** The Bonds maturing on October 1, 20\_\_ (the “**20\_\_ Term Bonds**”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account, on October 1, 20\_\_ and October 1, 20\_\_, in accordance with the schedule of Sinking Fund Payments set forth below. The 20\_\_ Term Bonds so called for redemption will be selected by the Trustee by lot and redeemed at a redemption price for each redeemed 20\_\_ Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

20\_\_ TERM BONDS MATURING OCTOBER 1, 20\_\_

<i>Redemption Date (October 1)</i>	<i>Principal Amount</i>
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\* Maturity.

The Bonds maturing on October 1, 20\_\_ (the “**20\_\_ Term Bonds**”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account, on October 1, 20\_\_ and October 1, 20\_\_, in accordance with the schedule of Sinking Fund Payments set forth below. The 20\_\_ Term Bonds so called for redemption will be selected by the Trustee by lot and redeemed at a redemption price for each redeemed 20\_\_ Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

20\_\_ TERM BONDS MATURING OCTOBER 1, 20\_\_

<i>Redemption Date (October 1)</i>	<i>Principal Amount</i>
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\* Maturity.

If, during the Fiscal Year immediately preceding one of the redemption dates specified above, the District purchases Bonds, then at least 45 days prior to the redemption date the District will notify the Trustee as to the principal amount purchased and the amount of Bonds so purchased will be credited at the time of

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\* Preliminary, subject to change.

purchase, to the extent of the full principal amount thereof, to reduce such upcoming Sinking Fund Payment for the Bonds so purchased. All Bonds purchased pursuant to the foregoing provision will be cancelled pursuant to the Indenture.

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

***Extraordinary Redemption of the Bonds from Special Tax Prepayments.*** The Bonds are subject to extraordinary redemption as a whole, or in part by lot, on any Interest Payment Date, and will be redeemed by the Trustee, from Prepayments deposited to the Redemption Account pursuant to the Indenture, plus amounts transferred from the Reserve Account pursuant to the Indenture, among maturities as directed in writing by the District, at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the redemption date:

<b><i>Redemption Date</i></b>	<b><i>Redemption Price</i></b>
Any Interest Payment Date from (and including) October 1, 2026 through (and including) April 1, 2034	103%
October 1, 2034 and April 1, 2035	102
October 1, 2035 and April 1, 2036	101
October 1, 2036 and any Interest Payment Date thereafter	100

The District will notify the Trustee of any extraordinary redemption at least 45 days prior to the Interest Payment Date on which such redemption shall occur.

See the caption “SPECIAL RISK FACTORS—Potential Early Redemption of Bonds from Prepayments.” Since the formation of the District, no property owner has prepaid its Special Taxes.

***Selection of Bonds for Redemption.*** If less than all of the Bonds Outstanding are to be redeemed, the portion of any Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or an integral multiple thereof; provided, however, that Bonds held by the Depository will be subject to the procedures and requirements of the Depository. The Trustee will promptly notify the District in writing of the Bonds, or portions thereof, selected for redemption.

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

**Notice of Redemption**

When Bonds are due for redemption under the Indenture, subject in the case of optional redemption to its receipt of timely notice from the District of its election to exercise optional redemption, the Trustee will give notice, in the name of the District, of the redemption of such Bonds; provided, however, that a notice of a redemption to be made from other than from Sinking Fund Payments will be conditioned on there being on deposit on the redemption date sufficient money to pay the redemption price of the Bonds or Parity Bonds to be redeemed. Such notice of redemption will: (a) specify the CUSIP numbers (if any) and the maturity date or

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

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

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

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

### **Effect of Redemption**

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

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

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

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

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

**Transfers and Exchanges**

So long as the Bonds remain in book-entry form, transfer and exchange of any of the Bonds will be accomplished in accordance with the provisions of such book-entry system. See Appendix D. In the event of termination of such book-entry system with respect to the Bonds, the Bonds may be transferred and exchanged in accordance with the terms of the Indenture. See Appendix B under the caption “GENERAL AUTHORIZATION AND BOND TERMS—Registration of Exchange or Transfer.”

**Debt Service Schedule**

The following is the debt service schedule for the Bonds, assuming no redemptions other than mandatory sinking fund redemptions.

**TABLE 3  
DEBT SERVICE SCHEDULE**

<i>Year Ending October 1</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Debt Service</i>
2026	\$	\$	\$
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2040			
Total	\$ _____	\$ _____	\$ _____

Source: Underwriter.

**SECURITY FOR THE BONDS**

**Repayment of the Bonds**

**General.** Pursuant to the CFD Act and the Indenture, the Bonds and any Parity Bonds are equally payable from and secured by a pledge and lien upon the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Reserve Account, which will only secure the Bonds, and the Administrative Expenses Account), without priority for number, date of the Bonds or Parity Bonds, date of sale, date of execution or

date of delivery, and the payment of the interest on and principal of the Bonds and any Parity Bonds and any premiums upon the redemption thereof will be exclusively paid from the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expenses Account), which have been set aside for the payment of the Bonds and any Parity Bonds. Amounts in the Special Tax Fund (other than the Administrative Expenses Account therein) constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the Bonds and any Parity Bonds; and, so long as any of the Bonds and any Parity Bonds or interest thereon remains Outstanding, amounts in the Special Tax Fund may not be used for any other purpose, except as permitted by the Indenture. Notwithstanding any provision contained in the Indenture to the contrary, Net Taxes deposited in the Rebate Fund and the Surplus Fund will no longer be considered to be pledged to the Bonds or any Parity Bonds, and none of the Rebate Fund, the Surplus Fund, the Construction Fund, the Cost of Issuance Fund or the Administrative Expenses Account of the Special Tax Fund will be construed as a trust fund held for the benefit of the Owners.

**Definitions.** The following definitions are applicable to the above-described pledge.

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

**“Administrative Expenses Cap”** means an amount equal to \$30,000 for the first Bond Year, increasing by 2% per annum for each subsequent Bond Year, or such lesser amount as may be designated in written instructions from an Authorized Representative of the City.

**“Rate and Method”** means the Rate and Method of Apportionment of Special Tax for the District approved by the qualified electors of the District on December 12, 2006 and recorded on December 26, 2006 as Document No. 2006000863536, and set forth in Appendix E.

**“Net Taxes”** means Special Taxes less amounts set aside to pay Administrative Expenses not to exceed the Administrative Expenses Cap.

**“Ordinance”** means Ordinance No. 17-06 adopted by the legislative body of the District on January 9, 2007, providing for the levying of the Special Tax.

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

**“Resolution of Formation”** means Resolution No. 10139 adopted by the City Council of the City on December 12, 2006, pursuant to which the City formed the District.

**“Special Taxes”** means the special taxes for facilities identified as “Special Tax A” in the Rate and Method, authorized to be levied by the District on property within the District in accordance with the Ordinance, the Resolution of Formation, the CFD Act, the Rate and Method, and the voter approval obtained at the December 12, 2006 special election in the District, including any scheduled payments and any Prepayments thereof, and the net proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and penalties and interest thereon, but not including Special Tax B levied in the District.

**Special Tax Fund.** There has been established as a separate fund to be held by the Trustee called the “Special Tax Fund.” Except for the portion of any Prepayment to be deposited in the Redemption Account as specified in a Certificate of an Authorized Representative, the Trustee will, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund to be held in trust for the Owners. The Trustee will transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth below, in the following order of priority, to:

- (1) the Administrative Expenses Account of the Special Tax Fund up to the Administrative Expenses Cap;
- (2) the Interest Account of the Special Tax Fund;
- (3) the Principal Account of the Special Tax Fund;
- (4) the Redemption Account of the Special Tax Fund;
- (5) the Reserve Account of the Special Tax Fund;
- (6) the Administrative Expenses Account of the Special Tax Fund to the extent that Administrative Expenses exceed or are expected to exceed the Administrative Expenses Cap;
- (7) the Rebate Fund; and
- (8) the Surplus Fund.

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

**Administrative Expenses Account.** The Trustee will transfer from the Special Tax Fund and deposit in the Administrative Expenses Account of the Special Tax Fund from time to time amounts necessary to make timely payment of Administrative Expenses as set forth in a Certificate of an Authorized Representative of the City; provided, however, that, except as set forth in the following sentence, the total amount transferred in a Bond Year may not exceed the Administrative Expenses Cap until such time as there has been deposited to the Interest Account and the Principal Account an amount, together with any amounts already on deposit therein, that is sufficient to pay the interest and principal on all Bonds and Parity Bonds due in such Bond Year and to restore the Reserve Account to the Reserve Requirement, all as determined by the City. Notwithstanding the foregoing, amounts in excess of the Administrative Expenses Cap may be transferred to the Administrative Expenses Account to the extent necessary to collect delinquent Special Taxes, as directed in writing by an Authorized Representative of the City. Moneys in the Administrative Expenses Account of the Special Tax Fund may be invested in any Permitted Investments as directed in writing by an Authorized Representative of the City and will be disbursed as directed in a Certificate of an Authorized Representative.

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

- (a) To the Interest Account, an amount such that the balance in the Interest Account one Business Day prior to each Interest Payment Date is equal to the installment of interest due on the Bonds and any Parity Bonds on said Interest Payment Date and any installment of interest due on a previous Interest Payment Date

that remains unpaid. Moneys in the Interest Account will be used for the payment of interest on the Bonds and any Parity Bonds as the same become due.

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

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

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

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

**Reserve Account of the Special Tax Fund.** There will be maintained in the Reserve Account of the Special Tax Fund cash and investments in an amount equal to 50% of the Reserve Requirement and the Reserve Policy in an amount equal to 50% of the Reserve Requirement. The Reserve Account will be drawn upon solely for the purpose of paying the principal of, including Sinking Fund Payments, and interest on the Bonds when due in the event that the moneys in the Interest Account and the Principal Account of the Special Tax Fund are insufficient therefor or moneys in the Redemption Account of the Special Tax Fund are insufficient to make a Sinking Fund Payment when due, and for the purpose of making any required transfer to the Rebate Fund pursuant to the Indenture upon written direction from the District. If the amounts in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund are insufficient to pay the principal of, including Sinking Fund Payments, or interest on any Bonds when due, or amounts in the Special Tax Fund are insufficient to make transfers to the Rebate Fund when required, the Trustee will draw upon the Reserve Account for deposit in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund or the Rebate Fund, as applicable, moneys necessary for such purposes.

The Insurer has made a commitment to issue, simultaneously with the initial issuance of the Bonds, the Reserve Policy in the amount equal to 50% of the Reserve Requirement for deposit in the Reserve Account, effective as of the date of issuance of the Bonds. Under the terms of the Reserve Policy, the Insurer

will unconditionally and irrevocably guarantee to pay that portion of the scheduled payments of principal of and interest on the Bonds that becomes due for payment but shall be unpaid by reason of nonpayment by the District, to the extent set forth in the Reserve Policy and in the Indenture. The remaining 50% of the Reserve Requirement, effective as of the date of issuance of the Bonds, will be funded with cash from proceeds of the Bonds.

“**Reserve Requirement**” means, as of the date of calculation: (a) with respect to the Bonds, an amount equal to the least of: (i) Maximum Annual Debt Service with respect to the Bonds; (ii) 125% of average Annual Debt Service on the then Outstanding Bonds; or (iii) ten percent (10%) of the initial outstanding principal amount of the Bonds; provided that the Reserve Requirement shall never exceed the amount established pursuant to the foregoing calculation at the time of issuance of the Bonds; and (b) with respect to such Parity Bonds, an amount equal to the least of: (i) Maximum Annual Debt Service with respect to such Parity Bonds; (ii) 125% of average Annual Debt Service on such Parity Bonds; or (iii) ten percent (10%) of the initial outstanding principal amount of such Parity Bonds.

In the event of a draw on the Reserve Policy or the failure by the Insurer to honor a draw request, the District has no obligation to replenish the Reserve Account with cash or to provide an alternate reserve policy.

### **Levy and Collection of Special Taxes**

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

The District has made certain covenants in the Indenture for the purpose of ensuring that the current maximum Special Tax rates and method of collection of the Special Taxes are not altered in a manner that would impair the District’s ability to collect sufficient Special Taxes to pay debt service on Bonds and Administrative Expenses when due, including the following:

(1) Beginning in Fiscal Year 2026-27 and continuing so long as any Bonds or Parity Bonds are Outstanding, the legislative body of the District covenants to levy the Special Tax in an amount sufficient, together with other amounts on deposit in the Special Tax Fund and available for such purpose, to pay: (i) the principal of and interest on the Bonds when due; (ii) the Administrative Expenses; and (iii) any amounts required to replenish the Reserve Account of the Special Tax Fund and any reserve account established in connection with the issuance of such Parity Bonds to the Reserve Requirement. The District further covenants that it will take no actions that would discontinue or cause the discontinuance of the Special Tax levy or the District’s authority to levy the Special Tax for so long as the Bonds are Outstanding.

(2) To the maximum extent that the law permits it to do so, the District will not initiate proceedings to reduce the maximum Special Tax rates for the District.

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

Although the Special Taxes constitute liens on taxable parcels within the District, such taxes do not constitute a personal indebtedness of the owners of such property within the District. Moreover, other liens for taxes and assessments already exist on the property located within the District and other such liens could come into existence in the future in certain situations without the consent or knowledge of the City or the landowners therein. See Table 7 under the caption “THE DISTRICT” for a description of the direct and overlapping tax and assessment debt levied within the District. See also the captions “SPECIAL RISK FACTORS—Direct

and Overlapping Debt” and “SPECIAL RISK FACTORS—Cumulative Burden of Parity Taxes and Special Assessments.” There is no assurance that property owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if they are financially able to do so, all as more fully described under the caption “SPECIAL RISK FACTORS—The Special Taxes are Not Personal Obligations of the Owners.”

### **Rate and Method of Apportionment of Special Taxes**

**General.** The District is legally authorized and has covenanted to cause the levy of the Special Taxes in an amount determined according to a methodology, i.e., the Rate and Method, which the City Council, as the legislative body of the District, and the electors within the District have approved. The Rate and Method apportions the total amount of Special Taxes to be collected among the taxable parcels in the District as more particularly described below.

The following is a synopsis of the provisions of the Rate and Method for the District, which should be read in conjunction with the complete text of the Rate and Method which is attached as Appendix E. The meaning of the defined terms used in this section are as set forth in Appendix E. This section provides only a summary of the Rate and Method, and is qualified by more complete and detailed information contained in the entire Rate and Method attached as Appendix E.

**Assignment to Land Use Categories.** Each Fiscal Year, subject to the limitations set forth in the Rate and Method, the City levies the Special Tax on Taxable Property in the District, until the amount of Special Taxes levied equals the Special Tax Requirement for Facilities. The Special Tax Requirement for Facilities means the amount required in any Fiscal Year to: (1) pay debt service on and other periodic costs of the Bonds and Parity Bonds due in the calendar year commencing in such Fiscal Year; (2) pay the cost of acquisition or construction of facilities authorized to be financed by the District; (3) pay all or a portion of Administrative Expenses; (4) pay any amount required to replenish any reserve fund established in association with the Bonds and Parity Bonds; (5) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; (6) pay the costs of remarketing, credit enhancement and liquidity facility fees (including such fees for instruments that serve as the basis of a reserve fund related to any indebtedness in lieu of cash); less (7) a credit for funds available to reduce the annual Special Tax A levy, as determined by the CFD Administrator pursuant to the Trustee Agreement. Pursuant to the Rate and Method, the Special Tax will be levied for the time period necessary to fully satisfy items (1), (3), (4) and (6) of the Special Tax Requirement for Facilities, but in no event will it be levied after Fiscal Year 2046-47.

Pursuant to the Rate and Method, each Fiscal Year, all Taxable Property within the District (which includes all Assessor’s Parcels within the boundaries of the District that are not exempt from the Special Tax levy under the Rate and Method) is classified as one of the following: Developed Property, Taxable Public Property, Taxable Property Owner Association Property, or Undeveloped Property. In addition, a Developed Property that is also a Residential Property falls within one of the Land Use Classes numbering 1 through 10, based on the type of residence (i.e., detached or attached) and square footage of living area. Non-Residential Property is Land Use Class 11. Since fiscal year 2007-08, the City has been able to satisfy the Special Tax Requirement for Facilities each Fiscal Year by levying the Special Tax only on Developed Property in the District.

For any fiscal year, the Maximum Special Tax A for each Assessor’s Parcel of Developed Property is equal to the greater of (i) the amount derived by application of the Assigned Special Tax A, or (ii) the amount derived by application of the Backup Special Tax A. The Rate and Method sets forth a schedule of Assigned Special Tax A for each Land Use Class for fiscal year 2007-08. The Rate and Method also identifies four separate Planning Areas within the District and sets forth a schedule of Backup Special Tax A Revenues for each Planning Area for fiscal year 2007-08. On each July 1, commencing July 1, 2008, each of the Assigned Special Tax and the Backup Special Tax increases by an amount equal to two percent of the amount in effect for the previous fiscal year.

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

“*Taxable Property*” means all of the Assessor’s Parcels within the boundaries of CFD No. 06-1, which are which are not exempt from the Special Tax pursuant to law or Section F of the Rate and Method.

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

**Exemptions.** Up to 18.0 Acres of Property Owner Association Property and 29.5 Acres of Public Property are exempt from the Special Tax levy.

**Method of Apportionment of Special Tax.** The Special Tax is levied each Fiscal Year as needed to satisfy the Special Tax Requirement for Facilities as follows:

First: The Special Tax is levied Proportionately on each Assessor’s Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax A;

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

Third: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first two steps have been completed, then the levy of the Special Tax on each Assessor’s Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax A is increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor’s Parcel;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first three steps have been completed, then the Special Tax is levied Proportionately on each Assessor’s Parcel of Taxable Property Owner Association Property at up to the Maximum Special Tax for Taxable Property Owner Association Property;

Fifth: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first three steps have been completed, then the Special Tax is levied Proportionately on each Assessor’s Parcel of Taxable Public Property at up to the Maximum Special Tax for Taxable Public Property.

In Fiscal Year 2025-26, the District levied the Special Taxes at approximately 44% of the Assigned Special Tax. See the caption “THE DISTRICT—Special Tax Levy.”

Notwithstanding the fact that the Rate and Method specifies a higher maximum Special Tax rate, in accordance with Section 53321(d) of the Government Code, under no circumstances will the Special Tax 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 10% as a consequence of delinquency or default by the owner of any other Assessor’s Parcel. See “SPECIAL RISK FACTORS – Insufficiency of Special Taxes.”

**Prepayment of Special Taxes.** The owner of a parcel of Taxable Property for which a building permit has been issued may voluntarily prepay the Special Tax obligation for such parcel in whole or in part at certain times as permitted by the Rate and Method. Such a prepayment of Special Taxes will result in a redemption of Bonds. See “Prepayment of Special Taxes” and “THE BONDS—Redemption— Extraordinary Redemption of the Bonds from Special Tax Prepayments.” No Special Tax Prepayment shall be allowed unless the amount of Maximum Special Tax A that may be levied on Taxable Property (excluding any Taxable Property Owner Association Property and Taxable Public Property) both prior to and after the proposed prepayment is at least

1.1 times the maximum annual debt service on all Outstanding Bonds. Since the formation of the District, there has not been any prepayment of Special Taxes by the property owners in the District. While the City has not undertaken to inquire, and makes no representation regarding, whether any current owner of a Taxable Property in the District intends to make a prepayment of Special Taxes, the City has not received any notice from current owners of properties in the District regarding any such intention to prepay Special Taxes.

The Special Tax shall not be levied on Developed Property or Undeveloped Property after Fiscal Year 2046-2047.

See Appendix E for further information with respect to the apportionment of Special Taxes.

### **No Teeter Plan**

The Board of Supervisors of the County of Orange has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “**Teeter Plan**”), as provided for in Section 4701 *et seq.* of the Revenue and Taxation Code of the State. As a result of the implementation of the Teeter Plan by the County of Orange, the County of Orange apportions secured property taxes and assessments on an accrual basis when due (irrespective of actual collections) to participating local political subdivisions for which the County of Orange acts as the levying or collecting agency. The District does *not* participate in the Teeter Plan. As a result, the collection of Special Taxes is subject to delinquency risk. As further described under the caption “SPECIAL RISK FACTORS—Insufficiency of Special Taxes” and “SPECIAL RISK FACTORS—Bankruptcy and Foreclosure Delays,” delinquencies in the payment of Special Taxes could have an adverse effect on the District’s ability to make timely debt service payments on the Bonds and any Parity Bonds. Conversely, the District will benefit from Special Taxes generated by penalties and interest charged on delinquent Special Taxes.

See Table 6 under the caption “THE DISTRICT—Delinquency History” for historical delinquency information with respect to the District for the last five Fiscal Years.

### **Covenant to Foreclose**

The net proceeds received following a judicial foreclosure sale of land within the District resulting from a landowner’s failure to pay the Special Taxes when due are included within the Special Taxes from which principal of and interest on the Bonds and any Parity Bonds are paid under the Indenture.

Pursuant to Section 53356.1 of the CFD Act, in the event of any delinquency in the payment of any Special Tax or receipt by the District of Special Taxes in an amount which is less than the Special Tax levied, the City Council, as the legislative body of the District, may order that Special Taxes be collected by a superior court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the CFD Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory.

However, the District has covenanted in the Indenture to commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$10,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due and to diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided, however, that the District is not required to undertake any such foreclosure proceedings if: (i) the amount of Special Taxes collected by the October 1 for the most recent Fiscal Year was equal to 95% or more of the total Special Tax levied in such Fiscal Year; and (ii) the amount on deposit in the Reserve Account and any reserve account established in connection with the issuance of such Parity Bonds as of October 1 was at least equal to the Reserve Requirement.

The City is authorized to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel and costs and expenses of the City (including a charge for City staff time) in conducting foreclosure proceedings will be Administrative Expenses under the Indenture.

Notwithstanding any provision of the CFD Act or other law of the State to the contrary, in connection with any foreclosure related to delinquent Special Taxes:

(a) The District or the Trustee is expressly authorized to credit bid at any foreclosure sale, without any requirement that funds be placed in the Special Tax Fund or otherwise be set aside in the amount so credit bid, in the amount specified in Section 53356.5 of the CFD Act or such lesser amount as determined under clause (b) below or otherwise under Section 53356.6 of the CFD Act. Notwithstanding anything to the contrary in the Indenture, in no event will the Trustee be required to undertake foreclosure proceedings thereunder.

(b) The District may permit, in its sole and absolute discretion, property with delinquent Special Tax payments to be sold for less than the amount specified in Section 53356.5 of the CFD Act, if it determines that such sale is in the interest of the Bond owners. The Bond owners, by their acceptance of the Bonds, consent to such sale for such lesser amounts (as such consent is described in Section 53356.6 of the CFD Act), and release the District, its officers and its agents from any liability in connection therewith.

(c) The District is expressly authorized to use amounts in the Special Tax Fund to pay costs of foreclosure of delinquent Special Taxes.

(d) The District may forgive all or any portion of the Special Taxes levied or to be levied on any parcel in the District, so long as the District determines that such forgiveness is not expected to adversely affect its obligation to pay principal of and interest on the Bonds under the Indenture.

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

If foreclosure is necessary and other funds (including amounts in the Reserve Account) have been exhausted, debt service payments on the Bonds and any Parity Bonds could be delayed until the foreclosure proceedings have ended with the receipt of any foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the City and the District. See the caption "SPECIAL RISK FACTORS—Bankruptcy and Foreclosure Delays." Moreover, no assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See the caption "SPECIAL RISK FACTORS—Land Values." Although the CFD Act authorizes the District to cause such an action to be commenced and diligently pursued to completion, the CFD Act does not impose on the District or the City any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale. However, the District does have the ability to use the foreclosure judgment to purchase property by credit bid at a foreclosure sale, in which case the District would have no obligation to pay such credit bid for 24 months. The CFD Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for *ad valorem* taxes.

#### **No Parity Bonds Except for Refunding Purposes**

The District has covenanted in the Indenture that, except as described below, it will not issue any other obligations payable, as to principal or interest, from the Net Taxes which have, or purport to have, any lien

upon the Net Taxes superior to or on a parity with the lien of the Bonds, other than Parity Bonds. Under the Indenture, the District may at any time after the issuance and delivery of the Bonds issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund (other than in the Administrative Expenses Account therein) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be issued for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then Outstanding and the conditions precedent in the Indenture are satisfied, including the requirement that the issuance of such Parity Bonds will result in a reduction of Annual Debt Service on the Bonds and any Parity Bonds to be Outstanding following the issuance of such Parity Bonds.

See Appendix A under the caption “DEFEASANCE AND PARITY BONDS—Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness” for a description of the conditions under which Parity Bonds may be issued.

### **Priority of Lien**

The Special Taxes levied within the District, and each installment thereof and any interest and penalties thereon, constitute a lien against each of the respective parcels within the District until the same are paid. There are other liens for special taxes and the recurring lien for general property taxes on parcels within the District. See the captions “THE DISTRICT—Direct and Overlapping Debt” and “SPECIAL RISK FACTORS—Direct and Overlapping Debt.”

### **No Obligation of the City Upon Delinquency**

The City is under no obligation to transfer any funds of the City into the Special Tax Fund for the payment of the principal of or interest on the Bonds or any Parity Bonds if a delinquency occurs in the payment of any Special Taxes. See the caption “—Covenant to Foreclose” for a discussion of the District’s obligation to foreclose Special Tax liens upon delinquencies.

### **Prepayment of Special Taxes**

A property owner may prepay its Special Taxes and thereby cause a partial redemption of the Bonds and any Parity Bonds. See the captions “THE BONDS—Redemption—Extraordinary Redemption of the Bonds from Special Tax Prepayments” and “SPECIAL RISK FACTORS—Potential Early Redemption of Bonds from Prepayments.”

## **[BOND INSURANCE**

*The information under this caption has been prepared by the Insurer for inclusion in this Official Statement. None of the District, the City or the Underwriter has reviewed this information, nor do the District, the City or the Underwriter make any representation with respect to the accuracy or completeness thereof. The following information is not a complete summary of the terms of the Policy and reference is made to Appendix G for a specimen of the Policy.*

### **[Bond Insurance Policy**

Concurrently with the issuance of the Bonds, [Insurer] (“[INSURER]”) will issue its Municipal Bond Insurance Policy (the “**Policy**”) for the Bonds maturing on October 1 of the years 20\_\_ through 20\_\_, inclusive (collectively, the “**Insured Bonds**”). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy set forth in Appendix F.]

## THE DISTRICT

### General

The District is located in the northwestern portion of the City, adjacent to the City of Anaheim, west of Glassell Avenue and north of Lincoln Avenue. A portion of the boundary of the District runs along the bank of the Santa Ana River. The District is part of an area known as the Riverbend community. The District is fully built out. The District includes approximately 73.64 gross acres, within which there are approximately 43 acres of developed single family residential properties (comprising 597 taxable parcels), a 10.5 acre public sports park, six acres of bio-swale area and 13.5 acres of public streets. The District was formed in December 2006.

The District was formed by the City pursuant to the CFD Act and constitutes a governmental entity separate and apart from the City. The CFD Act was enacted by the California legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. Any local agency (as defined in the CFD Act) may establish a community facilities district to provide for and finance the cost of eligible public facilities and services. Generally, the legislative body of the local agency which forms a community facilities district acts on behalf of such district as its legislative body. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the CFD Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness.

The residential properties in the District were constructed by two builders: Lennar Homes of California (“Lennar”) and Centex Homes (“Centex Homes”). The initial master developer of the District, North Orange Del Rio, LLC (affiliated with SunCal Companies), sold the developable land in the District in 2006 and 2007 to an entity jointly owned by Lennar and Centex Homes, which subsequently transferred the land to Lennar and Centex Homes, respectively. Lennar and Centex Homes developed the residences in six tracts, consisting of a total of 597 units. The land within the District is fully developed and the 597 units constitute the entirety of the taxable property subject to the lien of the Special Tax. Since the formation of the District, no homes have fully prepaid their Special Taxes nor has any home partially prepaid the Special Taxes.

### Debt Service Coverage

The Rate and Method provides for the levy of annual Special Taxes against each parcel that is no higher than the Maximum Special Tax under the Rate and Method as escalated in each year. For fiscal year 2025-26, approximately 44% of the Maximum Special Tax is being levied against each parcel of Taxable Property. Assuming the refunding described in this Official Statement, the Maximum Special Tax A will be approximately 2.47\* times annual debt service on the Bonds. The actual amount of Special Tax that will be levied against each parcel in each year will be determined in accordance with the Rate and Method, and the aggregate amount of Special Taxes that will be levied in each year will be equal to the lesser of the Special Tax Requirement for Facilities and the total Maximum Special Tax for such year. See APPENDIX E — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES.”

All of the Taxable Property within the District is classified as Residential Property. The Special Tax on any residential property is limited to an increase of 10% for delinquencies under Section 53321 of the Act as applied to the District. That section provides that under no circumstances will the special tax levied in any fiscal year against any parcel used for private residential purposes be increased as a consequence of delinquency or default by the owner or owners of any other parcel or parcels within the District by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. “SPECIAL RISK FACTORS –Insufficiency of Special Taxes.”

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\* Preliminary, subject to change.

## Historical Assessed Values

The following table sets forth assessed values within the District for the current and prior seven Fiscal Years.

**TABLE 4  
CITY OF ORANGE COMMUNITY FACILITIES DISTRICT NO. 06-1  
(DEL RIO PUBLIC IMPROVEMENTS)  
SECURED ASSESSED VALUATION  
FISCAL YEARS 2018-19 THROUGH 2025-26**

<i>Fiscal Year Ending June 30</i>	<i>Land</i>	<i>Structure</i>	<i>Total</i>	<i>% Change in Total Secured Assessed Value</i>	<i>Number of Developed Parcels</i>
2019	\$141,326,127	\$172,218,873	\$313,545,000	3.06%	597
2020	148,643,296	175,571,972	324,215,268	3.40	597
2021	153,766,894	179,364,866	333,131,760	2.75	597
2022	159,382,513	181,734,646	341,117,159	2.40	597
2023	168,472,638	185,119,297	353,591,935	3.66	597
2024	179,965,086	190,326,778	370,291,864	4.72	597
2025	185,799,849	194,596,390	380,396,239	2.73	597
2026	192,107,586	199,214,451	391,322,037	2.87	597

Source: Orange County Secured Roll, compiled by Willdan Financial Services.

## Major Property Ownership

According to the County's records as of January 1, 2025, no single property owner in the District is responsible for more than one percent of the total Special Tax levy in the District in fiscal year 2025-26, and only 6 individuals appear to be an owner or co-owner of the more than one property in the District: two property owners own three parcels each and four property owners own two parcels each. The properties owned by such individuals collectively represent less than 2.5% percent of the total fiscal year 2025-26 special tax levy.

**Special Tax Levy**

The table below summarizes the Assigned Special Tax A, the projected Special Tax A and projected total Special Tax levy for each class of Residential Property for Fiscal year 2026-27, based on the scheduled principal and interest expected to be due with respect to the Bonds.

**TABLE 5  
CITY OF ORANGE COMMUNITY FACILITIES DISTRICT NO. 06-1  
(DEL RIO PUBLIC IMPROVEMENTS)  
ASSIGNED SPECIAL TAX A, PROJECTED SPECIAL TAX A AND TOTAL PROJECTED LEVY FOR FISCAL YEAR 2026-27<sup>(3)</sup>**

<i>Land Use Class</i>	<i>Description</i>	<i>Residential Floor Area (square feet)</i>	<i>Number of Parcels</i>	<i>Assigned Special Tax A per Parcel<sup>(1)</sup></i>	<i>Projected Special Tax A per Parcel<sup>(2)*</sup></i>	<i>Total Projected Special Tax A Levy*</i>
1	Single Family Detached Property	≥ 2,400	21	\$ 8,193.10	\$ 3,353.91	\$ 70,432.09
2	Single Family Detached Property	2,200 - 2,399	62	7,208.30	2,950.77	182,947.97
3	Single Family Detached Property	2,000 - 2,199	102	7,129.62	2,918.57	297,693.67
4	Single Family Detached Property	1,800 - 1,999	38	6,593.52	2,699.11	102,566.13
5	Single Family Detached Property	1,600 - 1,799	47	6,407.04	2,622.77	123,270.27
6	Single Family Detached Property	1,400 - 1,599	61	5,515.48	2,257.80	137,726.08
7	Single Family Detached Property	< 1,400	25	5,164.38	2,114.08	52,851.98
8	Single Family Attached Property	≥ 1,700	101	5,581.04	2,284.64	230,748.85
9	Single Family Attached Property	1,500 - 1,699	95	5,023.08	2,056.24	195,342.50
10	Single Family Attached Property	< 1,500	<u>45</u>	4,162.10	1,703.79	<u>76,670.46</u>
Total			597			\$ 1,478,250

\* Preliminary, subject to change.

(1) Pursuant to the Rate and Method, the Assigned Special Tax A Rate increases on July 1 of each year by two percent of the amount in effect for the prior fiscal year.

(2) Estimated based on principal and interest due with respect to the Bonds, plus \$30,000 Administrative Expenses.

(3) The actual Special Tax A levy will be established in an amount sufficient to pay Debt Service and Administrative Expenses, to cover estimated delinquencies, and to cover other amounts required under the Indenture.

Source: Willdan Financial Services.

**Delinquency History**

The table below summarizes the historical Special tax levies and delinquencies for the District for the current and last five Fiscal Years.

**TABLE 6  
CITY OF ORANGE COMMUNITY FACILITIES DISTRICT NO. 06-1  
(DEL RIO PUBLIC IMPROVEMENTS)  
SPECIAL TAX LEVY, DELINQUENCY AND COLLECTION  
FISCAL YEARS 2020-21 THROUGH 2024-25<sup>(1)</sup>**

<i>Fiscal Year</i>	<i>Special Tax Levy</i>	<i>Special Tax Collection as of June 30 of each Fiscal Year</i>	<i>Delinquencies as of June 30 of each Fiscal Year<sup>(1) (2)</sup></i>	<i>Delinquency Rate as of June 30 of each Fiscal Year</i>	<i>Amount Collected as of May 3, 2026</i>	<i>Remaining Delinquencies as of May 3, 2026<sup>(2)</sup></i>	<i>Remaining Delinquency Rate as of May 3, 2026</i>
2020-2021	\$1,411,928.88	\$1,397,499.41	\$14,429.47	1.02%	\$1,411,928.88	\$0.00	0.00%
2021-2022	1,441,913.96	1,426,045.46	15,868.50	1.10	1,441,913.96	0.00	0.00
2022-2023	1,472,082.86	1,464,262.95	7,819.91	0.53	1,472,082.86	0.00	0.00
2023-2024	1,499,065.10	1,491,916.03	7,149.07	0.48	1,499,065.10	0.00	0.00
2024-2025	1,528,304.98	1,518,332.28	9,972.70	0.65	1,528,304.98	0.00	0.00
2025-2026	1,559,101.32	N/A	N/A	N/A	1,538,385.62	20,715.70	1.33

<sup>(1)</sup> Amount delinquent as of June 30 in the fiscal year in which the Special Taxes were levied.

<sup>(2)</sup> Amount does not include any penalties, interest or fees.

Source: Orange County Tax Collector, as compiled by Willdan Financial Services.

**Direct and Overlapping Debt**

Set forth below is the statement of direct and overlapping debt (the “**Debt Report**”) for the District which excludes the issuance of the Bonds and the refunding of the 2015 Bonds. The table indicates that the assessed value of the developed property within the District is \$391,322,037 for Fiscal Year 2025-26. The Debt Report has been derived from data assembled and reported to the District by Willdan Financial Services. None of the District, the City or the Underwriter has independently verified the information in the Debt Report, and such parties do not guarantee its completeness or accuracy.

**TABLE 7  
CITY OF ORANGE COMMUNITY FACILITIES DISTRICT NO. 06-1  
(DEL RIO PUBLIC IMPROVEMENTS)  
DIRECT AND OVERLAPPING DEBT  
AS OF MARCH 1, 2026**

2025-26 Local Secured Assessed Valuation: \$391,322,037

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 1/1/15</u>
Metropolitan Water District General Obligation Bonds	0.009%	\$ 1,473
Rancho Santiago Community College District General Obligation Bonds	0.367	394,892
Orange Unified School District General Obligation Bonds	0.786	2,157,406
Orange Unified School District Community Facilities District No. 2005-2	100.000	4,305,000
<b>City of Orange Community Facilities District No. 06-1</b>	<b>100.000</b>	<b>18,795,000<sup>(1)</sup></b>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<b>\$ 25,653,771</b>

Ratios to Assessed Valuation:

<b>Direct Debt (\$18,795,000)</b> .....	<b>4.80%</b>
Total Direct and Overlapping Tax and Assessment Debt .....	6.56%

<sup>(1)</sup> Represents 2015 Bonds to be refunded.  
Source: California Municipal Statistics, Inc.

**Estimated Average Effective Tax Rate**

The effective tax rate of a parcel of property in the District is likely to be different from the effective tax rate of another parcel in the District. The difference is attributable to a number of factors, including, but not limited to, the assessed value of the particular property. The table below sets forth the Fiscal Year 2025-26 tax rate for one parcel with a single family detached home and one parcel with a single family attached home in the District. The 2025-26 secured assessed value of one of the two parcels was \$739,587. That parcel falls under Land Use Class 3 (single family detached property with Residential Floor Area between 2,000 and 2,199 square feet) under the Rate and Method. The 2025-26 secured assessed value of the other parcel was \$617,688. That parcel falls under Land Use Class 8 (single family attached property with Residential Floor Area of 1,700 or more square feet) under the Rate and Method.

**TABLE 8**  
**CITY OF ORANGE COMMUNITY FACILITIES DISTRICT NO. 06-1**  
**(DEL RIO PUBLIC IMPROVEMENTS)**  
**TAX RATES FOR TWO SAMPLE SINGLE FAMILY DETACHED RESIDENCE**  
**FISCAL YEAR 2025-26**

<u>Assessed Valuations and Property Taxes</u>	<i>Parcel 1<sup>(1)</sup></i>	<i>Parcel 2<sup>(2)</sup></i>	
Total Secured Assessed Value	\$ 708,655	\$ 624,688	
Less: Homeowner Exemption	<u>(7,000)</u>	<u>(7,000)</u>	
<b>Net Assessed Value<sup>(3)</sup></b>	<b>\$ 701,655</b>	<b>\$ 617,688</b>	
<u>Ad Valorem Property Taxes</u>	<i>Rate</i>	<i>Amount</i>	<i>Amount</i>
Basic Levy Rate	1.00000%	\$ 7,016.55	\$ 6,176.88
Rancho Santiago Com	0.02746%	192.67	169.61
Orange Unified	0.02485%	174.36	153.50
Metro Water D-MWDOC	0.00700%	<u>49.12</u>	<u>43.24</u>
<b>Total Ad Valorem Property Taxes</b>		<b>\$ 7,432.70</b>	<b>\$ 6,543.23</b>
<u>Special Assessment Charges</u>			
Vector Control District Charge		\$ 1.92	\$ 0.67
Mosquito, Fire Ant and Disease Control Assessment		9.06	5.44
Metropolitan Water District Water Standby Charge		10.08	10.08
Orange County Sanitation Regional Sewer Fee		384.00	384.00
Orange Unified School District CFD No. 2005-2		877.64	689.91
<b>City of Orange CFD No. 06-1 Special Tax A<sup>(4)</sup></b>		<b>2,918.57</b>	<b>2,284.64</b>
City of Orange CFD No. 06-1 Special Tax B <sup>(5)</sup>		<u>210.76</u>	<u>165.85</u>
<b>Total Special Assessment Charges</b>		<b>\$ 4,412.02</b>	<b>\$ 3,540.59</b>
Total Property Taxes and Assessment Charges		\$ 11,844.73	\$ 10,083.82
Tax rate as % of secured assessed value		1.688%	1.633%

(1) Land Use Class 3 (single family detached property with Residential Floor Area between 2,000 and 2,199 square feet) under the Rate and Method.

(2) Land Use Class 8 (single family attached property with Residential Floor Area greater than 1,700 square feet) under the Rate and Method.

(3) Net secured assessed value reflects total assessed value for the parcel net of homeowner's exemption. Not all residences applied or qualified for the exemption.

(4) See Table 1 for the estimated Fiscal Year 2026-27 Special Tax A levy for these parcels, which are expected to be lower than the Fiscal Year 2025-26 because of the refunding described herein.

(5) The City, on behalf of the District, levies Special Tax B to fund services authorized to be financed by the District. See "APPENDIX E — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES". The fiscal year 2025-26 Special Tax B was levied at rates significantly below the Maximum Special Tax B rates permitted under the Rate and Method. The City is currently evaluating the level of funding needed for relevant services and, with this, is considering the potential levy of Special Tax B in the future at rates higher than those for fiscal year 2025-26. Proceeds from the levy of Special Tax B are neither pledged to secure, nor available to pay, the Bonds.

Source: Orange County Tax Collector, as compiled by Willdan Financial Services.

**Estimated Assessed Value-to-Lien Ratios**

As shown in Tables 7 and 8, taxable properties in the District are also subject to special taxes levied by the Orange Unified School District (“OUSD”), on behalf of OUSD’s Community Facilities District No. 2005-1 (“OUSD CFD 2005-2”). The District Administrator is not aware of any other community facilities district or assessment district formed by other agencies that have areas overlapping the District. The following table shows, with respect to Taxable Property in the District after the issuance of the Bonds: (i) the ratio of total secured assessed value to Special Tax burden, and (ii) the ratio of the total secured assessed value to combined bonded debt of the District and the OUSD CFD 2005-2. SPECIAL RISK FACTORS—Direct and Overlapping Debt.”

**TABLE 9  
CITY OF ORANGE COMMUNITY FACILITIES DISTRICT NO. 06-1  
(DEL RIO PUBLIC IMPROVEMENTS)  
SECURED ASSESSED VALUE TO SPECIAL TAX A BURDEN RATIO AND SECURED ASSESSED VALUE TO COMBINED  
COMMUNITY FACILITIES DISTRICTS BONDED DEBT BURDEN RATIO BASED ON FISCAL YEAR 2025-26 SECURED ASSESSED  
VALUE\***

<i>Total Secured Assessed Value<sup>(1)</sup></i>	<i>The Bonds<sup>(2)*</sup></i>	<i>Secured Assessed Value to Special Tax A Burden Ratio</i>	<i>OUSD CFD 2005-2 Debt Burden<sup>(3)</sup></i>	<i>Combined Special Tax A and OUSD CFD 2005-2 Bonded Debt<sup>(4)</sup></i>	<i>Secured Assessed Value to Combined Special Tax A and OUSD CFD 2005-2 Debt Burden Ratio</i>
\$391,322,037	\$16,005,000	24.45	\$4,305,000	\$20,310,000	19.27

\* Preliminary, subject to change.  
 (1) Based on 2025-26 County of Orange Secured Tax Roll.  
 (2) Equals the principal amount of the Bonds.  
 (3) Based on information provided by California Municipal Statistics, Inc. See Table 7.  
 (4) Equals to sum of “Special Tax A Burden” and “OUSD CFD 2005-2 Debt Burden”.  
 Source: Willdan Financial Services.

In comparing the aggregate assessed value of the real property within the District and the principal amount of the 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 Bonds are not allocated pro rata among the parcels within the District. The total Special Taxes are allocated among the parcels within the District according to the Rate and Method. See “SECURITY FOR THE BONDS - RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

The following table shows the estimated assessed value to lien ratios by aggregating parcels within given ranges of ratios, based on the principal amount of the Bonds and the outstanding principal amount of the OUSD CFD 2005-2 bonded debt as shown in Table 7.

**TABLE 10  
CITY OF ORANGE COMMUNITY FACILITIES DISTRICT NO. 06-1  
(DEL RIO PUBLIC IMPROVEMENTS)  
DISTRIBUTION OF 2025-26 SECURED ASSESSED VALUE TO LIEN RATIOS\***

<i>Estimated Secured Assessed Value to Lien Ratio<sup>(1)</sup></i>	<i>No. of Parcels</i>	<i>Fiscal Year 2025-26 Secured Assessed Value<sup>(1)</sup></i>	<i>Projected Fiscal Year 2026-27 Special Tax A Levy<sup>(2)*</sup></i>	<i>% of Total Levy*</i>	<i>Special Tax A Burden based on 2026 Bonds<sup>(3)*</sup></i>	<i>OUSD CFD 2005-2 Bonded Debt Burden<sup>(4)</sup></i>	<i>Combined Special Tax and OUSD CFD 2005-2 Debt Burden<sup>(5)*</sup></i>
25:1 or Greater	65	\$ 52,100,178	\$ 138,951	9.45%	\$ 1,512,607	\$ 383,225	\$ 1,895,832
20:1 to 24.99:1	163	110,916,427	372,741	25.35	4,057,624	1,052,027	5,109,651
15:1 to 19.99:1	318	201,668,628	819,994	55.77	8,926,376	2,453,873	11,380,249
10:1 to 14.99:1	<u>51</u>	<u>26,636,804</u>	<u>138,564</u>	<u>9.42</u>	<u>1,508,394</u>	<u>415,874</u>	<u>1,924,268</u>
Total <sup>(6)</sup>	597	\$ 391,322,037	\$ 1,470,250	100.00%	\$ 16,005,000	\$ 4,305,000	\$20,310,000

\* Preliminary, subject to change.

(1) Based on combined refunding bonds and OUSD CFD 2005-2 debt burden.

(1) Based on 2025-26 County of Orange Secured Tax Roll.

(2) Estimated based on principal and interest expected to be due with respect to the Bonds, plus administrative expenses.

(3) Total equals to sum of the principal amount of the Bonds.

(4) Based on information provided by California Municipal Statistics, Inc. See Table 7.

(5) Equals to sum of "Special Tax A Burden based on 2026 Bonds" and "OUSD 2005-2 Bonded Debt Burden".

(6) Total may not foot due to rounding.

Source: Willdan Financial Services.

## THE CITY OF ORANGE

*The following information relating to the City is included only for the purpose of supplying general information regarding the City. Neither the faith and credit nor taxing power of the City have been pledged to the payment of the Bonds and the Bonds will not be payable from any of City's revenues or assets.*

The City is located in the north-central portion of Orange County (the “County”), California, approximately 32 miles southeast of Los Angeles and 94 miles north of San Diego. Incorporated on April 6, 1888 as a general law city, the City currently functions under a Council/Manager form of government. A five member City Council, including the Mayor, is elected at large. According to State of California Department of Finance estimates, the City has a population of approximately 139,724 as of January 1, 2025.

The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing day-to-day City operations, and appointing the heads of various departments. The City Council is elected on a non-partisan basis. See Appendix F for certain demographic and economic information regarding the City.

## SPECIAL RISK FACTORS

There are certain risks associated with the purchase of the Bonds and the following information should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be an exhaustive listing of the risks and other considerations which may be relevant to an investment in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. If any risk factor materializes to a sufficient degree, it alone could delay or preclude payment of principal of or interest on the Bonds.

### **The Bonds are Limited Obligations of the District**

The principal of, premium, if any, and interest on the Bonds are not a debt of the City or a legal or equitable pledge, charge, lien or encumbrance upon any of the City's or the District's property or upon any of the City's or the District's income, receipts or revenues, except the amounts pledged under the Indenture. Funds for the payment of the principal of and the interest on the Bonds are derived only from annual payments of Special Taxes. The amount of annual installments of Special Taxes that are collected could be insufficient to pay principal of and interest on the Bonds due to non-payment of such Special Taxes levied or due to insufficient proceeds received from a judicial foreclosure sale of land within the District following delinquency. The District's legal obligations with respect to any delinquent Special Taxes are limited to: (1) payments from the Reserve Account to the extent of funds and instruments on deposit therein; and (2) the institution of judicial foreclosure proceedings under certain circumstances with respect to any parcels for which Special Taxes are delinquent. See the caption “SECURITY FOR THE BONDS—Covenant to Foreclose.” The Bonds cannot be accelerated in the event of any default.

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

### **The Special Taxes are Not Personal Obligations of the Owners**

An owner of a taxable parcel is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation which is secured only by a lien against the taxable parcel. If the value of a taxable parcel

is not sufficient, taking into account other liens imposed by public agencies, to secure fully the Special Tax, the District has no recourse against the owner and its only remedy is to pursue judicial foreclosure on the delinquent parcel. See the caption “SECURITY FOR THE BONDS—Covenant to Foreclose.”

### **Potential Early Redemption of Bonds from Prepayments**

Property owners within the District are permitted to prepay their Special Taxes at any time, and many owners have previously done so. Any additional prepayments of Special Taxes which are made after the date of issuance of the Bonds will result in a redemption of Bonds on the first April 1 or October 1 which is more than 30 days following the receipt of the prepayment. See the caption “THE BONDS—Redemption—Extraordinary Redemption of the Bonds from Special Tax Prepayments.” The resulting extraordinary redemption of Bonds that were purchased at a price greater than par could reduce the otherwise expected yield on such Bonds.

### **Risks of Real Estate Secured Investments Generally**

The Bond owners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation: (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of comparable residential property in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, government rules (including, without limitation, zoning laws and laws relating to threatened and endangered species and hazardous materials) and fiscal policies; and (iii) natural disasters (including, without limitation, earthquakes, fires and floods), which may result in uninsured losses.

No assurance can be given that individual homeowners will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See the caption “—Bankruptcy and Foreclosure Delays” for a discussion of certain limitations on the District’s ability to pursue judicial proceedings with respect to delinquent parcels. Moreover, because assessed values do not necessarily indicate fair market values, decreases in fair market values may be even greater than decreases in assessed valuations, which could reduce the amount that can be raised to cover unpaid Special Taxes from a judicial foreclosure and sale of a delinquent parcel.

### **Concentration of Ownership**

No single individual owner of residential property owns more than 3 parcels or will be responsible for more than 1% of the Special Taxes levied within the District in Fiscal Year 2026-27, with the two largest property owners each responsible for .43% of the Special Taxes estimated to be levied within the District in Fiscal Year 2026-27. See the caption “THE DISTRICT—Major Property Ownership.” However, there may be subsequent transfers of ownership of the property within the District. Failure of the owners of property to pay the annual Special Taxes when due could result in a default in payments of the principal of and interest on the Bonds when due. Such risk may be greater or its consequence more severe when ownership is concentrated and may be expected to decrease as ownership is diversified.

### **Insufficiency of Special Taxes**

Although the maximum amount of Special Taxes that may be levied in the District exceeds debt service due on the Bonds, the Special Taxes that are actually collected could be inadequate to make timely payment of debt service either because of nonpayment or because property becomes exempt from taxation as permitted in the Rate and Method.

As discussed under the caption “SECURITY FOR THE BONDS—No Teeter Plan,” the Teeter Plan is not available for community facilities districts such as the District. The collection of Special Taxes is therefore

subject to the risk of delinquency, while the District is also generally entitled to collect penalties and interest on delinquent Special Taxes.

In the event of significant delinquencies in the District causing a default in payment of debt service on the Bonds and depletion of all amounts and instruments on deposit in the Reserve Account, there would not be sufficient Net Taxes to pay the full amount of annual debt service on the Bonds until the delinquent Special Taxes were collected through foreclosure action or otherwise. See the caption “—Bankruptcy and Foreclosure Delays” for a discussion of potential delays in foreclosure actions.

The CFD Act provides that, if any property within the District which is not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the CFD Act provides that, if property which is subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the CFD Act have not been tested in the courts.

If for any reason property which is subject to the Special Tax becomes exempt from taxation by reason of ownership by a nontaxable entity such as the federal government, or another public agency that asserts immunity from the Special Tax, subject to the limitation of the maximum Special Tax rates, the Special Taxes will be reallocated to the remaining properties within the District. This would result in the owners of such properties paying a greater amount of the Special Tax and could have an adverse effect on the timely payment of the Special Tax. Due to the problems of collecting taxes from public agencies, if a substantial portion of land within the District were to become owned by public agencies, collection of the Special Tax might become more difficult and could result in collections of the Special Tax which might not be sufficient to pay principal of and interest on the Bonds when due, and a default could occur with respect to the payment of such principal and interest. See the captions “—FDIC/Federal Government Interests in Properties” and “—Bankruptcy and Foreclosure” for a discussion of the policy of the Federal Deposit Insurance Corporation (the “**FDIC**”) regarding the payment of special taxes and assessments and limitations on the District’s ability to foreclose on the lien of the Special Taxes in certain circumstances.

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

In addition, the District may not be able to levy the Special Tax up to the maximum authorized rates. Pursuant to Section 53321(d) of the Government Code of the State, the Special Tax levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the District by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. Consequently, although the maximum Special Tax prescribed by the Rate and Method could be materially higher than the expected Special Tax levy in a given year, the Special Tax levy cannot be increased for residential property by more than 10% in such year.

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

## **Billing of Special Taxes**

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

Under provisions of the CFD Act, the Special Taxes are to be billed to the properties within the District that were entered on the Assessment Roll of the County of Orange Assessor by January 1 of the previous Fiscal Year. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. The Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills may also indicate an unwillingness or inability to make regular property tax payments and installment payments of Special Taxes in the future. See the caption “SECURITY FOR THE BONDS—Covenant to Foreclose” for a discussion of the provisions that apply, and the procedures that the District is obligated to follow, in the event of delinquency in the payment of installments of Special Taxes.

## **Non-Cash Payments of Special Taxes**

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

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

## **Bankruptcy and Foreclosure Delays**

Bankruptcy, insolvency and other laws generally affecting creditors’ rights could adversely impact the interests of owners of the Bonds in at least two ways. First, the payment of property owners’ taxes and the ability of the District to foreclose the lien of delinquent unpaid Special Taxes pursuant to its covenant to pursue judicial foreclosure proceedings set forth in the Indenture (see the caption “SECURITY FOR THE BONDS—Covenant to Foreclose”) may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights (including the Soldiers and Sailors Civil Relief Act of 1940, which is discussed below) or by the laws of the State relating to judicial foreclosure. In addition, the prosecution of a foreclosure could be delayed for many reasons, including crowded local court calendars or lengthy procedural delays.

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

Although a bankruptcy proceeding would not cause the lien of the Special Taxes to become extinguished, the amount and priority of any Special Tax lien could be reduced or modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by a bankruptcy court. In addition, the bankruptcy of a property owner could result in a stay of enforcement or other delay in procuring Superior Court foreclosure proceedings or adversely affect the ability or willingness of a property owner to pay the Special Taxes. If enough parcels were involved in bankruptcy proceedings, court delays would increase the likelihood of a delay or default in payment of the principal of, and interest on, the Bonds and the possibility of delinquent tax installments not being paid in full.

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

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

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

The CFD Act provides that the Special Taxes are secured by a continuing lien which is subject to the same lien priority in the case of delinquency as *ad valorem* taxes. No case law exists with respect to how a bankruptcy court would treat the lien for Special Taxes (which are not *ad valorem* taxes) levied after the filing of a petition in bankruptcy. *Glasply* is controlling precedent on bankruptcy courts in the State. If the *Glasply* precedent with respect to *ad valorem* taxes was applied to the levy of the Special Taxes, the amount of Special Taxes received from parcels whose owners declare bankruptcy could be reduced.

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

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

## **FDIC/Federal Government Interests in Properties**

**General.** The ability of the District to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the FDIC, the Drug Enforcement Administration, the Internal Revenue Service (the “**IRS**”) or other federal agencies such as the Federal National Mortgage Association (“**FNMA**”) has or obtains an interest.

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

The foregoing is generally interpreted to mean that, unless the United States Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within the District but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable State and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless the United States Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount that is sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government’s mortgage interest. In *Rust v. Johnson* 597 F.2d 174 (9th Cir. 1979), the Ninth Circuit held that 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. For a discussion of risks associated with taxable parcels within the District becoming owned by the federal government, federal government entities or federal government sponsored entities, see the caption “—Insufficiency of Special Taxes.”

The District has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within the District, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

**FDIC.** In the event that any financial institution making any loan which is secured by real property within the District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the District to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited. The FDIC’s policy statement regarding the payment of state and local real property taxes (the “**Policy Statement**”) provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property’s value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution’s affairs, unless abandonment of the FDIC’s interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent that the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will neither 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 that it purports to secure the payment of any such amounts. Special taxes imposed under the CFD Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from CFD Act special taxes. With respect to property in the State that is owned by the FDIC on January 9, 1997 and that was owned by the Resolution Trust Company (the "RTC") on December 31, 1995, or that became the property of the FDIC through foreclosure of a security interest held by the RTC on that date, the FDIC will continue the RTC's prior practice of paying special taxes imposed pursuant to the CFD Act if the taxes were imposed prior to the RTC's acquisition of an interest in the property. All other special taxes may be challenged by the FDIC.

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

### **Direct and Overlapping Debt**

Neither the City nor the District have control over the amount of additional debt payable from taxes or assessments levied on all or a portion of the property within the District which may be incurred in the future by other governmental agencies having jurisdiction over all or a portion of the property within the District. Other public agencies may issue additional indebtedness on property within the District at any time. Furthermore, nothing prevents the owners of property within the District from consenting to or petitioning for the issuance of additional debt by other governmental agencies which would be secured by taxes on a parity with the Special Taxes or assessments which would be subordinate to the Special Taxes. Such consent may occur without the knowledge of the City or the District. To the extent that such indebtedness is payable from assessments, other special taxes levied pursuant to the CFD Act or taxes, such assessments, special taxes and taxes will be secured by liens on the property within the District.

Accordingly, the debt on the property within the District could increase, without any corresponding increase in the value of the property therein. The imposition of such additional indebtedness could reduce the value-to-lien ratio of property in the District and the willingness and ability of the property owners within the District to pay the Special Taxes when due. See the caption "—Cumulative Burden of Parity Taxes and Special Assessments." Moreover, in the event of a delinquency in the payment of Special Taxes, no assurance can be given that the proceeds of any foreclosure sale of property with delinquent Special Taxes would be sufficient to pay the delinquent Special Taxes. See the caption "—Land Values."

### **Disclosures to Future Purchasers**

The willingness or ability of an owner of a parcel to pay the Special Tax even if the value of the parcel is sufficient may be affected by whether or not the owner was given due notice of the Special Tax authorization at the time the owner purchased the parcel, was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate and the risk of such a levy, and, at the time of such a levy, has the ability to pay it as well as pay other expenses and obligations. The District has caused a notice of the Special Tax lien to be recorded in the Office of the Recorder of the County of Orange against each parcel. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property within the District or lending of money thereon.

The CFD Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit that is subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. Section 1102.6b of the Civil Code of the State requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

### **Shapiro Decision**

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

At the election to authorize such special tax, the Charter proceeding limited the electorate to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located. Thus, the election was limited to owners and lessees of properties on which the special tax would be levied, and not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was based on Section 53326(c) of the CFD Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote will be by the landowners of the proposed district whose property would be subject to the special tax. The Court held that the CCFD special tax election did not comply with applicable requirements of Article XIII A, Section 4, and Article XIII C, Section 2, of the State Constitution, or with applicable provisions of the Charter, because the electors in such an election were not the registered voters residing within the district.

In the case of the CCFD, at the time of the election there were several hundred thousand registered voters within the CCFD (*viz.*, all of the registered voters in the City of San Diego). In the case of the District, there were no registered voters within the District at the time of the elections to authorize the Special Tax levy for the District. In the *Shapiro* decision, the Court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the CFD Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the Court’s holding does not apply to the special tax election in the District. Moreover, Section 53341 of the CFD Act provides that any “action or proceeding to attack, review, set aside, void or annul the levy of a special tax ... shall be commenced within 30 days after the special tax is approved by the voters.” Similarly, Section 53359 of the CFD Act provides that any action to determine the validity of bonds issued pursuant to the CFD Act or the levy of special taxes authorized pursuant to the CFD Act be brought within 30 days of the voters approving the issuance of such bonds or the special tax. Voters approved the Special Tax and the issuance of bonds for the District in compliance with all applicable requirements of the CFD Act at the time of formation of the District in 2013. Therefore, under the provisions of Sections 53341 and 53359 of the CFD Act, the statute of limitations period to challenge the validity of the Special Tax for the District has expired.

### **Natural Disasters**

The District, like all California communities, may be subject to unpredictable seismic activity, high winds, wildfires and urban fires, landslides and slope failures, or flooding in the event of unseasonable rainfall or other natural disasters. Seismically induced ground shaking has affected Orange County in the past and is expected to affect Orange County in the future. Seismic activity represents a potential risk for damage to

buildings, roads, bridges and property within the District. In addition, land that is susceptible to seismic activity may be subject to liquefaction during the occurrence of such event. The City's coastal and canyon bluffs and hillsides can be steep and subject to landslides and slope failures. Potential geologic and soil hazards can be increased by inappropriate development, seismic activity and heavy rains. No faults transect the District. The closest known active faults to the District are the El Modeno fault (approximately 6 to 7 miles distant) and the Peralta Hills Fault (approximately 4 to 5 miles distant).

The occurrence of seismic activity, fires, landslides and slope failures, coastal erosion, expansive soils, dam and reservoir failure, act of terrorism or other cause severely damaging property or infrastructure within the District, flooding or other natural disasters in or around the District could result in substantial damage to properties in the District which, in turn, could substantially reduce the value of such properties. As a result of the occurrence of such an event, a substantial portion of the property owners may be unable or unwilling to pay the Special Tax installments when due, and the Reserve Account may eventually become depleted. In addition, the value of land in the District could be diminished in the aftermath of such natural events, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Tax installments.

In recent years, drought conditions in the State have led to increased risk of wildfire. In particular, certain electrical operators in the State have seen their distribution/transmission lines cause billions of dollars in property damage and the loss of lives. In 2023, as in several prior years, for example, devastating wildfires burned in various communities in the State, causing wide-spread damage. In 2025, communities in Los Angeles County, including Pacific Palisades, Malibu and Altadena (the "**Palisades Fire**"), experienced widespread devastation from wildfires causing losses of life, thousands of burned homes, and billions of dollars in property damage. Orange County is also periodically subject to large-scale wildfires and is expected to be subject to wildfires in the future. In recent years, wildfires have burned hundreds of acres at a time and destroyed dozens of homes and structures in Orange County. The City is situated in a wildland urban interface, an area where development meets undeveloped wildland.

On March 24, 2025, CAL FIRE released an updated Fire Hazard Severity Zone ("FHSZ") map for the Southern California region. This map evaluates "Hazard," defined as the likelihood and expected fire behavior over a 30 to 50-year period, without considering mitigation measures such as home hardening, recent wildfires, or fuel reduction efforts. Pursuant to Sections 4201-4204 of the California Public Resources Code, the State Fire Marshal is mandated to classify State Responsibility Areas ("SRAs")—where the state has financial responsibility for wildfire protection—into FHSZs categorized as "Moderate," "High," or "Very High." These classifications are based on fuel loading, slope, fire weather, and other relevant factors, including wind-driven wildfire spread patterns. In Local Responsibility Areas ("LRAs"), where local agencies have financial responsibility for wildfire protection, agencies are required to adopt FHSZ maps encompassing all three hazard classes. Following the completion of the SRA mapping process in late 2025, the City completed the local adoption process for its LRA maps in early 2026 to align with the 2025 California Fire Code and the City's updated Local Hazard Mitigation Plan. While areas of the City where development meets undeveloped wildland have historically been subject to high wind-driven wildfire risk, the District's specific classification is determined by the most recent City-adopted FHSZ boundaries. As of May 2026, no portion of the District is located within a FHSZ.

On January 16, 2025, Governor Gavin Newsom issued Executive Order N-10-25 (the "**Governor's Order**"), which canceled penalties, costs and interest on overdue property taxes (including special taxes) within certain zip codes affected by the Palisades Fire during calendar year 2025. This order resulted in significant delays in the collection of special taxes within impacted community facilities districts. In several instances, these districts were required to draw upon established reserve funds to meet debt service obligations on outstanding special tax revenue bonds. Though the District is not directly impacted by the Governor's Order, in the event of a major fire or other natural disaster affecting the City or the District, a similar order affecting the City or the District in the future could impact the debt service payment for the Bonds.

## **Property Insurance**

In recent years, homeowners in many areas in the State have experienced significant increases in premiums for property and homeowners' insurance policies as well as difficulty in obtaining such insurance from commercial insurance companies. The increases have been driven by, among other factors, the risk of wildfire damage to property in the State.

In addition, no assurances can be made that adequate homeowners' insurance coverage will be available in the future from reputable insurance companies, with premiums comparable to historical rates, or at all. The inability to obtain adequate insurance coverage could impact the ability of the homeowners' in the District to reconstruct their homes in the event of damage.

## **Land Values**

The value of land within the District is an important factor in evaluating the investment quality of the Bonds. In the event that a property owner defaults in the payment of a Special Tax installment, the District's only remedy is to commence judicial foreclosure proceedings on such property. Prospective purchasers of the Bonds should not assume that the property within the District could be sold for the assessed value described herein at a foreclosure sale for delinquent Special Tax installments or for an amount adequate to pay delinquent Special Tax installments, because market values in a foreclosure sale may be less than assessed values. Reductions in property values within the District due to a downturn in the economy or the real estate market, events such as earthquakes, wildfires, droughts or floods, stricter land use regulations, threatened or endangered species or other events may adversely impact the security underlying the liens.

The assessed values set forth in this Official Statement do not represent market values arrived at through an appraisal process and generally reflect only the sales price of a parcel when acquired by its current owner, adjusted annually by an amount determined by the County of Orange Assessor, generally not to exceed an increase of more than 2% per Fiscal Year as limited by Proposition 13, as amended by Proposition 8. Several counties in the State, including the County of Orange, have reassessed certain properties acquired in recent years at the peak of the real estate market. The District cannot predict whether the County of Orange will reduce assessed values within the District in future years. If the County of Orange did decide to broadly reassess recent home transactions in the County of Orange, it is possible that in future years the assessed values which are shown in this Official Statement could be adjusted downward from the values reflected on the current Assessor's Roll. No assurance can be given that current assessed values reflect market values or that a parcel could actually be sold for its assessed value.

The actual market value of the property is subject to future events such as a downturn in the economy, occurrences of certain acts of nature and the decisions of various governmental agencies as to land use, all of which could adversely impact the value of the land in the District, which is the security for the Bonds. As discussed herein, many factors could adversely affect property values within the District.

## **Hazardous Substances**

A claim with regard to a hazardous substance on a parcel of land subject to any of the Special Taxes can result in a significant potential reduction in the value of the parcel. In general, the owners and operators of a parcel may be required by law to remedy conditions relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is well known, but State laws with regard to hazardous substances are also stringent and similar in effect. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of a parcel whether or not the owner (or operator) had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels within the District be affected by a hazardous substance, is to reduce the marketability and value by the costs of remedying the condition because the prospective purchaser of such a parcel will, upon

becoming the owner of such parcel, become obligated to remedy the condition just as the seller of such a parcel is obligated to remedy the condition.

Hazardous substance liabilities may arise in the future with respect to any of the parcels within the District resulting from the existence, currently, of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Additionally, such liabilities may arise from the method of handling such substance. These possibilities could significantly affect the value of a parcel.

While the District is not aware that the owner (or operator) of any of Taxable Property has such a current liability with respect to any of the Taxable Property, it is possible that such liabilities do currently exist and that the District is not aware of them.

### **Cumulative Burden of Parity Taxes and Special Assessments**

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

The Special Taxes and any penalties thereon constitute a lien against the parcels of land on which they have been levied. Such lien is on a parity with all special taxes or assessments levied by other agencies and is co-equal to and independent of the lien for general property taxes, regardless of when they are imposed upon the same property.

Neither the City nor the District have control over the ability of other entities to issue indebtedness secured by *ad valorem* taxes, special taxes or assessments levied on all or a portion of the property within the District. In addition, the owners of the property within the District may, without the consent or knowledge of the City or the District, petition other public agencies to issue public indebtedness secured by *ad valorem* taxes, special taxes or assessments. The property within the District is subject to a number of overlapping tax and assessment liens, some of which secure outstanding indebtedness. See the caption “THE DISTRICT—Direct and Overlapping Debt.”

### **California Constitution Article XIII C and Article XIII D**

On November 5, 1996, the voters of the State approved Proposition 218, known as the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain, among other things, a number of provisions affecting the ability of the District to levy and collect both existing and future taxes, assessments, fees and charges.

Among other things, Section 3 of Article XIII C states that “... the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The CFD 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 CFD 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 CFD Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Section 5854 of the Government Code of the State, which states that:

“Section 3 of Article XIII C 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 Proposition 218 has not conferred on the voters the power to repeal or reduce Special Taxes if such reduction would interfere with the timely retirement of the Bonds. The provisions of Proposition 218 relating to the exercise of the initiative power have not been interpreted by the courts and no assurance can be given as to the outcome of any such litigation.

It may be possible, however, for voters or the City Council of the City, acting as the legislative body of the District, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Nevertheless, the District has covenanted that it will not modify, alter or amend the Rate and Method in any manner that reduces the maximum Special Taxes that may be levied in each year on property within the District to an amount which is less than 110% of the principal and interest due in each corresponding future Bond Year with respect to the Bonds and Parity Bonds Outstanding as of the date of such amendment. The District has further covenanted that, in the event that an initiative is adopted which purports to reduce the maximum Special Taxes that may be levied, the District will commence and pursue legal action in order to preserve its ability to comply with the foregoing covenant. See the caption “SECURITY FOR THE BONDS—Levy and Collection of Special Taxes.” However, no assurance can be given as to the enforceability of the foregoing covenants.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at the current time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See the caption “—Limitations on Remedies.”

### **No Acceleration**

Under the Indenture, the Bonds are not subject to acceleration in the event of payment default. Similarly, there is no provision in the CFD Act or the Indenture for the acceleration of the Special Taxes in the event of a payment default by an owner of a parcel within the District or otherwise.

### **Limited Secondary Market**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the District has committed to provide certain financial and operating information on an annual basis, there can be no assurance that such information will be available to Bond owners on a timely basis. See the caption “CONCLUDING INFORMATION—Continuing Disclosure.” The failure to provide the required annual financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

### **Ballot Initiatives**

Proposition 218, which is discussed under the caption “—California Constitution Article XIIC and Article XIID,” was adopted pursuant to a measure that qualified for the ballot pursuant to the State’s Constitutional initiative process, and the State Legislature has in the past enacted legislation that has altered the

spending limitation or established minimum funding provisions for particular activities. On March 6, 1995, in the case of *Rossi v. Brown*, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiative. From time to time, other initiative measures could be adopted by State voters or legislation enacted by the State Legislature. The adoption of any such initiative or enactment of legislation might place limitations on the ability of the State, the County of Orange or local districts to increase revenues or appropriations or affect the levy or collection of Special Taxes.

### **Limitations on Remedies**

Remedies available to the Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest and premium, if any, on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or other similar laws affecting generally the enforcement of creditors' rights, by equitable principles and by the exercise of judicial discretion. Additionally, the Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Indenture. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay in the exercise of, or limitations on or modifications to, the rights of the Owners.

Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the District, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the federal Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against governmental entities in the State. See the captions “—Bankruptcy and Foreclosure Delays,” and “—FDIC/Federal Government Interests in Properties.”

### **Cybersecurity**

Municipal agencies, like other business entities, face significant risks relating to the use and application of computer software and hardware. Recently, there have been significant cyber security incidents affecting municipal agencies, including a ransomware attack targeting Los Angeles Unified School District, a freeze affecting computer systems of the City of Atlanta, an attack on the City of Baltimore's 911 system, an attack on the Colorado Department of Transportation's computers, an attack that resulted in the temporary closure of the Port of Los Angeles' largest terminal and an attack on a water treatment facility in Oldsmar, Florida.

The City employs a multi-level cyber protection scheme that includes (but is not limited to) firewalls, anti-virus software, anti-spam/malware software, intrusion protection and domain name system filtering software. The City also contracts with third party vendors to audit, monitor and augment internal monitoring of the City's computer systems. To date, the City has not experienced an attack on its computer operating systems. However, the City believes that it is well prepared with an extensive disaster recovery plan should an attack occur. The City employs sophisticated on-premise, off-premise and cloud-based disaster recovery systems to support recovery. In addition, the City maintains administrative, technical, and operational safeguards designed to reduce cybersecurity risk and protect City systems and data, including managed network security tools, endpoint protection, multi-factor authentication, employee cybersecurity awareness training, regular software and security patching protocols, data backup and recovery systems, and third-party IT support services. The City also maintains incident response and continuity procedures intended to mitigate

operational disruption in the event of a cybersecurity incident. The City also maintains incident response and continuity procedures intended to mitigate operational disruption in the event of a cybersecurity incident. These systems and protocols allow the City to recover quickly if systems are compromised.

The City is also reliant on other entities and service providers, such as the County Treasurer, for the levy and collection of Special Taxes securing payment of the Bonds. No assurance can be given that the City may not be affected by cyber threats and attacks against other entities or service providers in a manner which may affect the Bondowners.

While there can be no assurance that a future attack or attempted attack would not result in disruption of City operations, the City expects that these disruptions would be temporary in nature.

### **Loss of Tax Exemption**

*General.* In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the District must comply with the applicable requirements of the Code, and may not take any action or fail to take any action if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Bonds thereunder. Interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of such Bonds as a result of acts or omissions of the District in violation of this or other covenants in the Indenture. The Bonds are not subject to redemption or any increase in interest rates should an event of taxability occur and will remain outstanding until maturity or prior redemption in accordance with the provisions contained in the Indenture.

*Federal Tax Law Changes.* From time to time, there are legislative proposals in Congress and IRS rulemaking activities that could adversely affect the market value or marketability of the Bonds. It cannot be predicted whether future legislation, rules, regulations or other guidance may be proposed or enacted that would affect the federal tax treatment of interest received on the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors regarding any pending or proposed legislation or regulations that would change the federal tax treatment of interest on the Bonds. Risks to the status of federal tax exemption affecting interest on the Bonds are also discussed under “CONCLUDING INFORMATION—Tax Matters” below.

### **Climate Change**

The State has historically been susceptible to wildfires and hydrologic variability. As greenhouse gas emissions continue to accumulate in the atmosphere, climate change is expected to intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods and heat waves, and raising sea levels. The City has evaluated the potential effects of climate change on the City in its latest Emergency Planning Program which provides emergency preparedness and administrative services in support of the City and its residents and visitors. The future fiscal impact of climate change on the District and the residents of the District is difficult to predict, but it could be significant and it could have a material adverse effect on the receipt of Special Taxes if property values are affected. See the captions “—Natural Disasters” and “—Land Values.”

### **Risks Associated with Bond Insurance**

In the event that the District defaults in the payment of principal of or interest on the Insured Bonds when due, the Owners of the Insured Bonds will have a claim under the Policy for such payments. See the caption “BOND INSURANCE.” In the event that the Insurer becomes obligated to make payments on the Insured Bonds, no assurance can be given that such event will not adversely affect the market for the Bonds. In the event that the Insurer is unable to make payments of principal of or interest on the Insured Bonds when due under the Policy, the Insured Bonds will be payable solely from Net Taxes and amounts that are held in

certain funds and accounts established under the Indenture, as described under the caption “SECURITY FOR THE BONDS.”

The long-term credit rating on the Insured Bonds is dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer’s financial strength and claims-paying ability are predicated upon a number of factors which could change over time. If the long-term ratings of the Insurer are lowered, such event could adversely affect the market for the Bonds. See the caption “CONCLUDING INFORMATION—Ratings.”

None of the District, the City or the Underwriter has made an independent investigation of the claims-paying ability of the Insurer, and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is being made by the District, the City or the Underwriter in this Official Statement. Therefore, when making an investment decision with respect to the Insured Bonds, potential investors should carefully consider the ability of the District to pay principal and interest on the Insured Bonds, assuming that the Policy is not available to pay principal and interest on the Insured Bonds, and the claims-paying ability of the Insurer through final maturity of the Insured Bonds.

So long as the Policy remains in effect and the Insurer is not in default of its obligations thereunder, the Insurer has certain notice, consent and other rights under the Indenture and will have the right to control all remedies in the event of a default under the Indenture as to the Insured Bonds. The Insurer is not required to obtain the consent of the Owners of the Insured Bonds with respect to the exercise of remedies. See Appendix A.

## CONCLUDING INFORMATION

### Underwriting

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”) pursuant to a Bond Purchase Agreement, dated the date hereof (the “**Purchase Agreement**”), by and between the Underwriter and the District. The Underwriter has agreed to purchase the Bonds at a price of \$ \_\_\_\_\_ (being the aggregate principal amount thereof, plus a net original issue premium of \$ \_\_\_\_\_ and less an Underwriter’s discount of \$ \_\_\_\_\_). The Purchase Agreement provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

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

The Underwriter and its affiliates comprise a full-service financial institution engaged in activities which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriter and its affiliates may have provided, and may in the future provide, a variety of these services to the City and/or the District and to persons and entities with relationships with the City and/or the District, for which they received or will receive customary fees and expenses.

In the ordinary course of these business activities, the Underwriter and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City and/or the District (directly,

as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City and/or the District.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire such assets, securities and instruments. Such investment and securities activities may involve securities and instruments of the City and/or the District.

### **Municipal Advisor**

Fieldman, Rolapp & Associates, Inc., Irvine, California (the “**Municipal Advisor**”), served as municipal advisor with respect to the sale of the Bonds. The Municipal Advisor is an independent registered municipal advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities. The Municipal Advisor will receive compensation contingent upon the sale and delivery of the Bonds. The Municipal Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

### **Legal Opinion; Legal Matters**

The legality of the Bonds and certain other legal matters are subject to the approval of Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Bond Counsel. Bond Counsel will render an opinion with respect to the validity and enforceability of the Bonds and the Indenture, and a copy of the opinion will accompany each Bond. Such opinion will be subject to the various assumptions, exceptions and limitations stated therein. See Appendix B. Certain legal matters will be passed upon for the City and the District by the City Attorney, and by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Disclosure Counsel, for the Underwriter by Anzel Galvan LLP, San Francisco, California, for the Insurer by its counsel and for the Trustee by its counsel. Payment of the fees and expenses of Bond Counsel, Disclosure Counsel, Underwriter’s counsel and the Trustee is contingent upon the sale and delivery of the Bonds. Bond Counsel and Disclosure Counsel have from time to time represented the Underwriter in connection with various matters unrelated to the Bonds.

### **Tax Matters**

In the opinion of Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. However, it should be noted that, with respect to applicable corporations as defined in Section 59(k) of the Code, generally certain corporations with more than \$1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) on the Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations.

In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State personal income tax.

In the opinion of Bond Counsel, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner

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

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

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

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

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

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Bond Counsel's engagement with respect to the Bonds terminates upon their issuance and Bond Counsel disclaims any obligation to update the matters set forth in its opinion. The Indenture and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue

discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth LLP.

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

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

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

### **No Litigation**

There is no action, suit, or proceeding pending or, to the best knowledge of the City or the District, threatened at the present time restraining or enjoining the delivery of the Bonds or in any way contesting or affecting the validity of the Bonds or any proceedings of the City or the District taken with respect to the execution or delivery thereof. A no litigation opinion rendered by the City Attorney will be required to be delivered to the Underwriter simultaneously with the delivery of the Bonds.

### **Ratings**

S&P Global Ratings (“S&P”) is expected to assign the Insured Bonds the rating of “\_\_\_\_” based upon the delivery of the Policy by the Insurer at the time of issuance of the Insured Bonds. S&P has assigned the Bonds the underlying rating of “\_\_\_\_” without respect to the delivery of the Policy for the Insured Bonds. There is also no assurance that the criteria required to achieve a rating on the Bonds will not change during the period that the Bonds remain outstanding. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Such ratings reflect only the current views and current rating criteria of S&P (which views and rating criteria could change at any time), and an explanation of the significance of such ratings may be obtained from S&P. Generally, a rating agency bases its ratings on the information and materials that are furnished to it (which may include information and material from the City or the District that is not included in this Official Statement) and on investigations, studies and assumptions of its own.

The District has covenanted in the Continuing Disclosure Agreement to file notices of any rating changes on the Bonds on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/> (“EMMA”). See the caption “—Continuing Disclosure” and Appendix C. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from S&P prior to such information being provided to the City or the District and prior to the date by which the District is obligated to file a notice of rating change. Purchasers of the Bonds are directed to the rating agencies and their respective websites and official media outlets for the most current ratings with respect to the Bonds after the initial issuance of the Bonds.

The City and the District make no representation as to the Insurer’s creditworthiness and no representation that the Insurer’s credit rating will be maintained in the future. S&P has previously taken action to downgrade the ratings of certain municipal bond insurers and has published various releases outlining the processes that S&P intends to follow in evaluating the ratings of financial guarantors. For some financial

guarantors, the result of such evaluations could be a rating affirmation, a change in rating outlook, a review for downgrade or a downgrade. Potential investors are directed to S&P for additional information on S&P's evaluations of the financial guaranty industry and individual financial guarantors, including the Insurer. See the caption "BOND INSURANCE" for further information relating to the Insurer.

### **Continuing Disclosure**

The District has covenanted for the benefit of holders and beneficial owners of the Bonds: (1) to provide certain financial information and operating data (the "**Annual Report**") relating to the District and the property in the District not later than each April 1 after the end of the District's Fiscal Year, commencing on April 1, 2027 with the Annual Report for Fiscal Year 2025-26; and (2) to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of enumerated events will be timely filed by the District or a dissemination agent appointed by the District with EMMA. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in the Continuing Disclosure Agreement. See Appendix C for the form of the Continuing Disclosure Agreement. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "**Rule**").

It should be noted that the District is required to file certain financial statements with the Annual Report. This requirement has been included in the Continuing Disclosure Agreement solely to satisfy the provisions of the Rule. The inclusion of this information does not mean that the Bonds are secured by any resources or property of the District or the City other than as described in this Official Statement. See the captions "SPECIAL RISK FACTORS—The Bonds are Limited Obligations of the District."

In the past five years, the City failed to file certain annual reports and operating data on a timely basis with respect to the City of Orange 2021 Taxable Pension Obligation Bonds (filed 201 days late for Fiscal Year 2021) and the Orange City Public Facilities Financing Authority Lease Revenue Bonds, Series 2020A (with the audit filed 118 days late and certain other financial and operating data filed up to 137 days late for Fiscal Year 2021). With respect to the 2015 Bonds, the audited financial statements were unavailable when the annual report was filed for Fiscal Year 2023 and for Fiscal Year 2024 and such audited financial statements were filed 31 days later and 4 days later, respectively.

### **Miscellaneous**

All of the preceding summaries of the Indenture, applicable legislation, agreements and other documents are made subject to the provisions of such documents and legislation and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the District for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Bonds.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement have been authorized by the members of the City Council of the City, as the legislative body of the District.

**CITY OF ORANGE COMMUNITY FACILITIES  
DISTRICT NO. 06-1 (DEL RIO PUBLIC  
IMPROVEMENTS)**

By: \_\_\_\_\_  
City Manager of the City of Orange

## APPENDIX A

### SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

*The following is a summary of selected provisions of the Indenture. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture. Purchasers of the Bonds are referred to the complete text of the Indenture, copies of which are available upon request from the Trustee.*

**APPENDIX B**

**FORM OF BOND COUNSEL OPINION**

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

\_\_\_\_\_, 2026

City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements)  
Orange, California

*Re:     \$ \_\_\_\_\_ City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements) 2026 Special Tax Refunding Bonds*

Ladies and Gentlemen:

We have examined the Constitution and the laws of the State of California (the “State”), a certified record of the proceedings of the City of Orange (the “City”) taken in connection with the formation of City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements) (the “District”) and the authorization and issuance of the District’s 2026 Special Tax Refunding Bonds in the aggregate principal amount of \$ \_\_\_\_\_ (the “Bonds”) and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the City, the District, the initial purchaser of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California) (the “Act”), and a Bond Indenture, dated as of July 1, 2026 (the “Indenture”), by and between the District and U.S. Bank Trust Company, National Association, as trustee. All capitalized terms that are not defined herein have the meanings set forth in the Indenture.

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

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

2.       The execution and delivery of the Indenture has been duly authorized by the District, and the Indenture is valid and binding upon the District and enforceable in accordance with its terms, provided, however, that we express no opinion as to the enforceability of the covenant of the District contained in the Indenture to levy Special Taxes for the payment of Administrative Expenses or as to any indemnification, penalty, choice of law, choice of forum or waiver provisions contained therein.

3.       The Indenture creates a valid pledge of that which the Indenture purports to pledge, subject to the provisions of the Indenture.

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

5. Interest (and original issue discount) on the Bonds is exempt from State personal income tax.

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

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

The opinions that are expressed in paragraph (4) above as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and are subject to the condition that the District comply with certain covenants and all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such covenants and requirements of the Code may cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements. Except as set forth in paragraphs (4), (5), (6) and (7) above, we express no opinion as to any tax consequences related to the Bonds.

The opinions that are expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters that are not directly addressed by such authorities. We call attention to the fact that the rights and obligations of the District under the Indenture and the Bonds are subject to and may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State.

Our opinion is limited to matters that are governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction and express no opinion as to the enforceability of the choice of law provisions contained in the Indenture.

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

Certain requirements and procedures that are contained or referred to in the Indenture and Tax Certificate may be changed, and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in the Indenture and Tax Certificate relating to the Bonds, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect on the exclusion from gross income for federal income tax purposes of the interest (and original issue discount) on any Bonds if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth LLP.

We call attention to the fact that the foregoing opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or do occur (or do not occur). Our engagement as bond counsel to the District terminates upon the issuance of the Bonds.

Respectfully submitted,

## APPENDIX C

### FORM OF CONTINUING DISCLOSURE AGREEMENT

*Upon issuance of the Bonds, the District proposes to enter into a Continuing Disclosure Agreement in substantially the following form:*

This Continuing Disclosure Agreement, dated as of July 1, 2026 (the “Disclosure Agreement”), is entered into by and between City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements) (the “District”), and Willdan Financial Services, as dissemination agent (the “Dissemination Agent”), in connection with the issuance by the District of its \$ \_\_\_\_\_ 2026 Special Tax Refunding Bonds (the “Bonds”). The Bonds are being issued pursuant to a Bond Indenture, dated as of July 1, 2026 (the “Indenture”), by and between the District and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). The District and the Dissemination Agent hereby covenant and agree as follows:

**Section 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the District for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

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

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

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

**Disclosure Representative.** The term “Disclosure Representative” means the General Manager, the Chief Financial Officer/Treasurer or the Director of Financial Planning and Analytics of the City, or their designee, or such other officer or employee as the City shall designate in writing to the Dissemination Agent from time to time.

**Dissemination Agent.** The term “Dissemination Agent” means, initially, Willdan Financial Services, or any successor Dissemination Agent designated in writing by the District which has filed with the then-current Dissemination Agent a written acceptance of such designation.

**EMMA.** The term “EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

**Financial Obligation.** The term “Financial Obligation” means: (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule and the issuer thereof has entered into a continuing disclosure undertaking for such municipal securities.

Fiscal Year. The term “Fiscal Year” means the one-year period ending on the last day of June of each year.

Insurer. The term “Insurer” means [Insurer].

Listed Events. The term “Listed Events” means any of the events listed in Sections 5(a) or (b) of this Disclosure Agreement.

Official Statement. The term “Official Statement” means the final Official Statement, dated \_\_\_\_\_, 2026, relating to the Bonds.

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

Rule. The term “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.

### Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent by written direction to such Dissemination Agent to, not later than each April 1 after the end of the District and the City’s Fiscal Year (commencing on April 1, 2027 with the Annual Report for Fiscal Year 2025-26), provide to EMMA an Annual Report which 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 include by reference other information as provided in Section 4 of this Disclosure Agreement; provided, however, that the audited financial statements of the District and the City, if any are prepared, may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

An Annual Report shall be provided at least annually notwithstanding any Fiscal Year longer than 12 calendar months. The District and the City’s Fiscal Year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The District will promptly notify EMMA, the Dissemination Agent and the Participating Underwriter of a change in the District or the City’s Fiscal Year dates.

(b) So long as the Dissemination Agent is an entity other than the District, then the provisions of this Section 3(b) shall apply. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to EMMA and the Participating Underwriter, the District shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) Business Days prior to such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District will be filing the Annual Report in compliance with subsection (a). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. If the Dissemination Agent is an entity other than the District, it may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report.

(c) If the District is the Dissemination Agent and the District is unable to provide to EMMA an Annual Report by the date required in subsection (a), the District shall, in a timely manner, send a notice to EMMA and the Dissemination Agent in the manner prescribed by the Municipal Securities Rulemaking Board. If the Dissemination Agent is other than the District and if the Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA by the date required in subsection (a), the Dissemination Agent shall, in a timely manner, send a notice to EMMA in the form prescribed by the Municipal Securities Rulemaking Board.

(d) The Dissemination Agent, if other than the District, shall promptly after receipt of the Annual Report, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided.

Section 4. Content of Annual Reports. The Annual Report shall contain or include by reference the following:

(a) Financial Statements. The audited financial statements of the District, if any have been prepared, for the most recent Fiscal Year of the District then ended. If the audited financial statements are being prepared and are not available by the time that the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain any available unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements, if any, of the District shall be audited by such auditor as shall then be required or permitted by State law. Audited financial statements, if prepared by the District, shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the District may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the District shall modify the basis upon which its financial statements are prepared, the District shall provide a notice of such modification to EMMA, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

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

(b) Financial and Operating Data.

(i) The principal amount of Bonds and any Parity Bonds outstanding as of the last day of the most recent completed Fiscal Year of the District, or a more recent date;

(ii) The balance in each fund under the Indenture and the Reserve Requirement as of October 2 within the then current Fiscal Year of the District, or a more recent date;

(iii) The status of any judicial foreclosure proceedings initiated by the District as a result of the delinquency in the payment of special taxes and a summary of the results of foreclosure sales, if available;

(iv) An update of Tables 4, 6, 9 and 10 in the Official Statement as of the last day of the most recent completed Fiscal Year of the District, or a more recent date but only as to the most recently completed Fiscal Year; and

(v) The principal amount of prepayments of the Special Taxes with respect to the District for the preceding Fiscal Year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District, the City or related public entities, which have been

submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

Section 5.        Reporting of Significant Events.

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

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);
6. tender offers;
7. defeasances;
8. ratings changes;
9. a default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties; and
10. bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (10), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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

1. unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;
2. modifications to the rights of Bond holders;

3. Bond calls;
4. release, substitution or sale of property securing repayment of the Bonds;
5. non-payment related defaults;
6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, 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;
7. appointment of a successor or additional trustee or the change of the name of a trustee; and
8. incurrence of a Financial Obligation of the District or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the District, any of which affect security holders.

(c) If the District determines that knowledge of the occurrence of a Listed Event under subsection (b) would be material under applicable federal securities laws, the District shall file, or shall cause the Dissemination Agent to file, a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

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

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

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

Section 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent appointed by the District may resign by providing thirty (30) days written notice to the District, and upon appointment of a new Dissemination Agent hereunder.

Section 8. Amendment.

(a) This Disclosure Agreement may be amended, by written agreement of the parties, without the consent of the Owners if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law, or a change in the identity, nature or status of the District or the type of business conducted thereby; (2) this Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Agreement, after taking into account any amendments or

interpretations of the Rule, as well as any change in circumstances; (3) the District shall have delivered to the Dissemination Agent an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the same effect as set forth in clause (2) above; (4) the District shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the effect that the amendment does not materially impair the interests of the Owners or Beneficial Owners; and (5) the District shall have delivered copies of such opinion and amendment to the Participating Underwriter.

(b) This Disclosure Agreement also may be amended by written agreement of the parties upon obtaining consent of the Owners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the Owners of the Bonds; provided that the conditions set forth in clauses (1), (2), (3) and (5) of section 8(a) have been satisfied.

(c) To the extent that any amendment to this Disclosure Agreement results in a change in the type of financial information or operating data provided pursuant to this Disclosure Agreement, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

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

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

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the District agrees to indemnify and save the Dissemination Agent, and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. Any Dissemination Agent other than the District shall be paid: (i) compensation by the District for its services provided hereunder in accordance with a schedule of fees to be mutually agreed to; and (ii) all expenses, legal fees and advances made or incurred by the Dissemination Agent

in the performance of its duties hereunder. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

Section 13. Notices. Notices with respect to this Disclosure Agreement should be sent in writing to:

If to the District: City of Orange Community Facilities District 06-1 (Del Rio Public Improvements)  
c/o City of Orange  
300 E. Chapman Ave.  
Orange, CA 92866  
Attention: City Manager

If to the Dissemination Agent: Willdan Financial Services  
27368 Via Industria, Suite 200  
Temecula, CA Federal Compliance Group

If to the Participating Underwriter: Stifel, Nicolaus & Company, Incorporated  
2121 Avenue of the Stars, Suite 2150  
Los Angeles, CA 90067

If to the Insurer: [Insurer]  
[To come]

Section 14. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

Section 15. State of California Law Governs. The validity, interpretation and performance of this Disclosure Agreement shall be governed by the laws of the State of California.

Section 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 17. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the filing of any paper or any further act.

IN WITNESS WHEREOF, the parties have caused their duly authorized officer to execute and deliver this Disclosure Agreement on the date first written above.

CITY OF ORANGE COMMUNITY FACILITIES  
DISTRICT NO. 06-1 (DEL RIO PUBLIC  
IMPROVEMENTS)

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

WILLDAN FINANCIAL SERVICES, as Dissemination  
Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## APPENDIX D

### INFORMATION CONCERNING DTC

*The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the District, the City and the Underwriter believe to be reliable, but none of the District, the City or the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.*

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

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

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

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

such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

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

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

## APPENDIX E

### RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES

*The following sets forth the Revised Rate and Method of Apportionment for the levy and collection of Special Taxes of Community Facilities District No. No. 06-1 of the City of Orange (the “District”). A Special Tax shall be levied on and collected in the District each Fiscal Year, in an amount determined through the application of the Revised Rate and Method of Apportionment described below. All of the real property in the District, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.*

A Special Tax as hereinafter defined shall be levied on all Assessor’s Parcels in the City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements) (“CFD No. 06-1”) and collected each Fiscal Year commencing in Fiscal Year 2007-08, in an amount determined by the CFD Administrator (as defined below) through the application of the procedures described below. All of the real property in CFD No. 06-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

#### A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

“Acre or Acreage” means the number of acres of land area of an Assessor’s Parcel as shown on an Assessor’s Parcel Map, or if the land area is not shown on an Assessor’s Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map.

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

“Administrative Expenses” means the following actual or reasonably estimated costs related to the administration of CFD No. 06-1: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the County, the City, through foreclosure proceedings, or otherwise); the costs of remitting the Special Taxes to the Fiscal Agent; the costs of the Fiscal Agent (including its legal counsel) in the discharge of the duties required of it under the Fiscal Agent Agreement; the costs to the City, CFD No. 06-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 06-1 or any designee thereof of complying with City, CFD No. 06-1 or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, CFD No. 06-1 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; and the City’s annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the City or CFD No. 06-1 for any other administrative purposes of CFD No. 06-1, including attorney’s fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

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

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

“Assigned Special Tax A” means the Special Tax A for each Land Use Class of Developed Property, as determined in accordance with Section C.1 below.

“Backup Special Tax A” means the Special Tax A applicable to each Assessor’s Parcel of Developed Property, as determined in accordance with Section D below.

“Bonds” means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 06-1 under the Act.

“CFD Administrator” means the Director of Finance of the City, or designee thereof, who is responsible for determining the Special Tax Requirement for Facilities and the Special Tax Requirement for Services and providing for the levy and collection of the Special Taxes.

“CFD No. 06-1” means the City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements).

“City” means the City of Orange.

“Condominium Unit” means a residential unit meeting the statutory definition of a condominium contained in the California Civil Code, Section 1351, and for which a condominium plan has been recorded pursuant to California Civil Code, Section 1352.

“Council” means the City Council of the City, acting as the legislative body of CFD No. 06-1.

“County” means the County of Orange.

“Developed Property” means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Property Owner Association Property or Taxable Public Property, for which a building permit for new construction was issued after January 1, 2006 and prior to March 1 of the prior Fiscal Year.

“Equivalent Dwelling Unit” or “EDU” means the numeric designation in Table 1 for each Land Use Class of Developed Property, which reflects the relationship between the Assigned Special Tax for that Land Use Class as compared to the Assigned Special Taxes for other Land Use Classes, and which is used in Section D in the calculation of the Backup Special Tax A.

“Fiscal Agent” means the fiscal agent under the Fiscal Agent Agreement.

“Fiscal Agent Agreement” means the fiscal agent agreement 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.

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

“Land Use Class” means any of the classes listed in Table 1 or Table 2.

“Maximum Special Tax” means the Maximum Special Tax A and/or Maximum Special Tax B, as applicable.

“Maximum Special Tax A” means the Maximum Special Tax A, determined in accordance with Section C.1 below, that can be levied in any Fiscal Year on any Assessor’s Parcel.

“Maximum Special Tax B” means the Maximum Special Tax B, determined in accordance with Section C.2 below, that can be levied in any Fiscal Year on any Assessor’s Parcel.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit(s) was issued for a non-residential use.

“Outstanding Bonds” means all Bonds which are outstanding under and in accordance with the provisions of the Fiscal Agent Agreement.

“Property Owner Association Property” means any property within the boundaries of CFD No. 06-1 that is owned by or irrevocably dedicated to a property owner association, including any master or sub-association.

“Proportionately” means for Developed Property that the ratio of the actual Special Tax A levy to the Assigned Special Tax A is equal for all Assessor’s Parcels of Developed Property and that the ratio of the actual Special Tax B levy to the Maximum Special Tax B is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, “Proportionately” means that the ratio of the actual Special Tax A levy per Acre or actual Special Tax B levy per Acre to the Maximum Special Tax A per Acre or Maximum Special Tax B per Acre is equal for all Assessor’s Parcels of Undeveloped Property. For Taxable Public Property and Taxable Property Owner Association Property, “Proportionately” means that the ratio of the actual Special Tax A levy per Acre to the Maximum Special Tax A per Acre is equal for all Assessor’s Parcels of Taxable Public Property and Taxable Property Owner Association Property, as applicable.

“Public Property” means, for each Fiscal Year, any property within the boundaries of CFD No. 06-1 that (i) is owned by or irrevocably offered for dedication to the federal government, the State, the County, the City or any other public agency, provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use; or (ii) is encumbered by a public utility easement making impractical its use for any purpose other than that set forth in the easement.

“Residential Floor Area” means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area shall be made by reference to the building permit(s) issued for such Assessor’s Parcel.

“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.

“Single Family Attached Property” means all Assessor’s Parcels of Residential Property for which building permits have been issued for attached residential units.

“Single Family Detached Property” means all Assessor’s Parcels of Residential Property for which building permits have been issued for detached residential units.

“Special Tax” means the Special Tax A and/or Special Tax B, as applicable.

“Special Tax A” means the special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Developed Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property to fund the Special Tax Requirement for Facilities.

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

“Special Tax Requirement for Facilities” means that amount required in any Fiscal Year to pay: (1) debt service and other periodic costs on the Bonds due in the calendar year commencing in such Fiscal Year; (2) the cost of acquisition or construction of authorized facilities of CFD No. 06-1; (3) all or a portion of

the Administrative Expenses as determined by the CFD Administrator; (4) any amount required to replenish any reserve fund established in association with the Bonds; (5) for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; and (6) the costs of remarketing, credit enhancement and liquidity facility fees (including such fees for instruments that serve as the basis of a reserve fund related to any indebtedness in lieu of cash); less (7) a credit for funds available to reduce the annual Special Tax A levy, as determined by the CFD Administrator pursuant to the Fiscal Agent Agreement.

“Special Tax Requirement for Services” means that amount required in any Fiscal Year to pay: (1) directly for services authorized to be funded by CFD No. 06-1; and (2) Administrative Expenses not funded through the Special Tax Requirement for Facilities as determined by the CFD Administrator; less (3) a credit for funds available to reduce the annual Special Tax B levy, as determined by the CFD Administrator.

“State” means the State of California.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 06-1 which are not exempt from the Special Tax pursuant to law or Section F below.

“Taxable Property Owner Association Property” means all Assessor’s Parcels of Property Owner Association Property that are not exempt pursuant to Section F below.

“Taxable Public Property” means all Assessor’s Parcels of Public Property that are not exempt pursuant to Section F below.

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

## **B. ASSIGNMENT TO LAND USE CATEGORIES**

Each Fiscal Year, all Taxable Property within CFD No. 06-1 shall be classified as Developed Property, Taxable Public Property, Taxable Property Owner Association Property, or Undeveloped Property, and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C, D and E below.

The Assigned Special Tax A and Maximum Special Tax B for Residential Property shall be based on the Residential Floor Area located on the Assessor’s Parcel. The Assigned Special Tax A and Maximum Special Tax B for Non-Residential Property shall be based on the Acreage of the Assessor’s Parcel.

## **C. MAXIMUM SPECIAL TAX RATE**

### **1. Special Tax A**

#### **a. Developed Property**

##### **(1) Maximum Special Tax A**

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

##### **(2) Assigned Special Tax A**

The Assigned Special Tax A for Fiscal Year 2007-08 for each Land Use Class is shown below in Table 1.

**TABLE 1  
ASSIGNED SPECIAL TAX A FOR DEVELOPED PROPERTY  
FOR FISCAL YEAR 2007-08**

<i>Land Use Class</i>	<i>EDU</i>	<i>Description</i>	<i>Residential Floor Area</i>	<i>Assigned Special Tax A Per unit/Acre</i>
1	1.000	Single Family Detached Property	> 2,400 sq. ft.	\$5,624 per unit
2	0.905	Single Family Detached Property	2,200 - 2,399 sq. ft.	\$4,948 per unit
3	0.845	Single Family Detached Property	2,000 - 2,199 sq. ft.	\$4,894 per unit
4	0.808	Single Family Detached Property	1,800 - 1,999 sq. ft.	\$4,526 per unit
5	0.722	Single Family Detached Property	1,600 - 1,799 sq. ft.	\$4,398 per unit
6	0.606	Single Family Detached Property	1,400 - 1,599 sq. ft.	\$3,786 per unit
7	0.568	Single Family Detached Property	< 1,400 sq. ft.	\$3,545 per unit
8	0.691	Single Family Attached Property	> 1,700 sq. ft.	\$3,831 per unit
9	0.587	Single Family Attached Property	1,500 - 1,699 sq. ft.	\$3,448 per unit
10	0.543	Single Family Attached Property	< 1,500 sq. ft.	\$2,857 per unit
11	18.622	Non-Residential Property	Not Applicable	\$107,818 per Acre

(3) Increase in the Assigned Special Tax A

On each July 1, commencing on July 1, 2008, the Assigned Special Tax A shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

(4) Multiple Land Use Classes

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Assigned Special Tax A levied on an Assessor's Parcel shall be the sum of the Assigned Special Tax A for all Land Use Classes located on that Assessor's Parcel. The Maximum Special Tax A that can be levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax A that can be levied for all Land Use Classes located on that Assessor's Parcel. For an Assessor's Parcel that contains both Residential Property and Non-Residential Property, the Acreage of such Assessor's Parcel shall be allocated to each type of property based on the building square footage designated for each land use as determined by reference to the site plan approved for such Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

b. Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property

(1) Maximum Special Tax A

The Fiscal Year 2007-08 Maximum Special Tax A for Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property shall be \$107,818 per Acre.

(2) Increase in the Maximum Special Tax A

On each July 1, commencing on July 1, 2008, the Maximum Special Tax A for Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

**2. Special Tax B**

a. Developed Property

(1) Maximum Special Tax B

The Maximum Special Tax B for Fiscal Year 2007-08 for each Land Use Class is shown below in Table 2.

**TABLE 2  
MAXIMUM SPECIAL TAX B FOR DEVELOPED PROPERTY  
FOR FISCAL YEAR 2007-08**

<i>Land Use Class</i>	<i>Description</i>	<i>Residential Floor Area</i>	<i>Maximum Special Tax B Per unit/Acre</i>
1	Single Family Detached Property	> 2,400 sq. ft.	\$281 per unit
2	Single Family Detached Property	2,200 - 2,399 sq. ft.	\$250 per unit
3	Single Family Detached Property	2,000 - 2,199 sq. ft.	\$244 per unit
4	Single Family Detached Property	1,800 - 1,999 sq. ft.	\$227 per unit
5	Single Family Detached Property	1,600 - 1,799 sq. ft.	\$218 per unit
6	Single Family Detached Property	1,400 - 1,599 sq. ft.	\$187 per unit
7	Single Family Detached Property	< 1,400 sq. ft.	\$175 per unit
8	Single Family Attached Property	> 1,700 sq. ft.	\$192 per unit
9	Single Family Attached Property	1,500 - 1,699 sq. ft.	\$164 per unit
10	Single Family Attached Property	< 1,500 sq. ft.	\$148 per unit
11	Non-Residential Property	Not Applicable	\$4,603 per Acre

(2) Increase in the Maximum Special Tax B

On each July 1, commencing on July 1, 2008, the Maximum Special Tax B shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

(3) Multiple Land Use Classes

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Maximum Special Tax B that can be levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax B that can be levied for all Land Use Classes located on that Assessor's Parcel. For an Assessor's Parcel that contains both Residential Property and Non-Residential Property, the Acreage of such Assessor's Parcel shall be allocated to each type of property based on the building square footage designated for each land use as determined by reference to the site plan approved for such Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

b. Undeveloped Property

(1) Maximum Special Tax B

The Fiscal Year 2007-08 Maximum Special Tax B for Undeveloped Property shall be \$4,603 per Acre.

On each July 1, commencing on July 1, 2008, the Maximum Special Tax B for Undeveloped Property shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

**D. BACKUP SPECIAL TAX A**

The following definitions apply to this Section D:

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

“Planning Area” means Planning Areas 1A/2A, Planning Areas 1B/2B, Planning Area 3, or Planning Area 4, as applicable.

“Planning Area 1A/2A” means the land geographically identified as Lots 1 through 50 of Tract Map 16768 and Lots 1 through 50 of Tract Map 16853.

“Planning Area 1B/2B” means the land geographically identified as Lots 51 through 59 of Tract Map 16768 and Lots 1 through 13 of Tract Map 16866.

“Planning Area 3” means the land geographically identified as Parcel 1 of Lot Line Adjustment 2006-03.

“Planning Area 4” means the land geographically identified as Parcel 2 of Lot Line Adjustment 2006-03.

“Required Backup Special Tax A Revenues” means, with respect to each Planning Area, the amount shown in the column so labeled in Table 3 for Fiscal Year 2007-08. On each July 1, commencing on July 1, 2008, the Required Backup Special Tax A Revenues shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

**1. Required Backup Special Tax A Revenues**

Table 3 below identifies the Fiscal Year 2007-08 Required Backup Special Tax A Revenues for each Planning Area as well as the number of units expected in each Planning Area. The CFD Administrator shall escalate the Fiscal Year 2007-08 Required Backup Special Tax A Revenues on each July 1, commencing on July 1, 2008, by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

**TABLE 3**

<i>Planning Area</i>	<i>Expected Product Type</i>	<i>Number of Units</i>	<i>Fiscal Year 2007-08 Required Backup Special Tax A Revenues</i>
1A/2A	Residential Property	100 units	\$531,310
1B/2B	Residential Property	135 units	\$675,821
3	Residential Property	121 units	\$499,777
4	Residential Property	241 units	\$892,238
Total	Residential Property	597 units	\$2,599,146

**2. Calculation of Backup Special Tax A**

Each time building permits are issued for new construction, the CFD Administrator shall calculate the Backup Special Tax A for each Assessor's Parcel for which building permits are requested, as follows:

a) For the Planning Area in which the building permits are to be issued, compute the total number of EDUs from property for which building permits were previously issued by multiplying the expected number of units (based on such previously issued building permits) of Residential Property in each Land Use Class and expected Acreage (based on such previously issued building permits) of Non-Residential Property by the applicable EDU factor indicated in Table 1.

b) Compute the total number of remaining EDUs for the Planning Area based on any Final Maps, condominium plans, sequence sheets, and any other available information by multiplying the projected number of units of Residential Property in each Land Use Class and the projected number of Acres of Non-Residential Property for which building permits have not yet been issued (including those units or Acres for which permits are currently being requested) by the applicable EDU factor indicated in Table 1.

c) Compute the total number of expected EDUs within the Planning Area by adding the results in steps D.2.a and D.2.b above.

d) Compute the total Backup Special Tax A Revenues from property in the Planning Area for which building permits were previously issued by summing the current amount (including any escalation pursuant to Section D.3 below) of the Backup Special Tax A for each parcel of property for which building permits were previously issued.

e) Subtract the total Backup Special Tax A Revenues calculated in step D.2.d above from the Required Backup Special Tax A Revenues for the Planning Area as indicated in Table 3 (as escalated pursuant to Section D.1 above).

f) Calculate the Backup Special Tax A per EDU by dividing the remaining Backup Special Tax A Revenues calculated in step D.2.e above by the remaining EDUs calculated in step D.2.b above.

g) The Backup Special Tax A for each Assessor's Parcel for which building permits are being requested shall equal the Backup Special Tax A per EDU calculated in step D.2.f. above multiplied by the applicable EDU factor for such Assessor's Parcel.

Once the Backup Special Tax A is calculated for an Assessor's Parcel, it shall not change, other than through application of the annual escalator described in Section D.3 below.

### **3. Increase in the Backup Special Tax A**

Once calculated, the Backup Special Tax A applicable to an Assessor's Parcel shall be increased on each July 1 by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

## **E. METHOD OF APPORTIONMENT OF THE SPECIAL TAX**

### **1. Special Tax A**

Commencing with Fiscal Year 2007-08 and for each following Fiscal Year, the CFD Administrator shall determine the Special Tax Requirement for Facilities and shall levy the Special Tax A as follows:

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

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

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

Fourth: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first three steps have been completed, then the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property at up to the Maximum Special Tax A for Taxable Property Owner Association Property.

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

### **2. Special Tax B**

Commencing with Fiscal Year 2007-08 and for each following Fiscal Year, the CFD Administrator shall determine the Special Tax Requirement for Services and shall levy the Special Tax B as follows:

First: The Special Tax B shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Special Tax B as needed to satisfy the Special Tax Requirement for Services;

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

Notwithstanding the above, under no circumstances will the Special Tax 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 CFD.

**F. EXEMPTIONS**

**1. Special Tax A**

No Special Tax A shall be levied on up to 18.0 Acres of Property Owner Association Property and 29.5 Acres of Public Property. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Property Owner Association Property or Public Property.

However, should an Assessor's Parcel no longer be classified as Property Owner Association Property or Public Property, its tax-exempt status will be revoked. Property Owner Association Property or Public Property that is not exempt from Special Tax A under this section shall be subject to the levy of the Special Tax A and shall be taxed Proportionately as part of the fourth and/or fifth steps in Section E.1 above, as applicable, at up to 100% of the applicable Maximum Special Tax A for Taxable Property Owner Association Property or Taxable Public Property.

**2. Special Tax B**

No Special Tax B shall be levied on Property Owner Association Property and Public Property.

**G. APPEALS**

Any property owner claiming that the amount or application of the Special Tax is not correct and requesting a refund may file a written notice of appeal and refund to that effect with the CFD Administrator not later than one calendar year after having paid the Special Tax 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 Special Tax, and decide the appeal. If the CFD Administrator's decision requires the Special Tax be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the next Special Tax levy. Any dispute over the decision of the CFD Administrator shall be referred to the City Council and the decision of the City Council shall be final. This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to any legal action by such owner.

**H. MANNER OF COLLECTION**

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 06-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

**I. PREPAYMENT OF SPECIAL TAX A**

The following definition applies to this Section I:

"CFD Public Facilities" means either \$37.0 million in 2006 dollars, which shall increase by the Construction Inflation Index on July 1, 2007, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to provide the public facilities to be provided by CFD No. 06-1 under the authorized bonding program for CFD No. 06-1, or (ii) shall be determined by the Council concurrently with a covenant that it will not issue any more Bonds to be supported by Special Taxes levied under this Rate and Method of Apportionment as described in Section E.

“Construction Fund” means an account specifically identified in the Fiscal Agent Agreement to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Act.

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

“Future Facilities Costs” means the CFD Public Facilities minus (i) public facility costs previously paid from the Construction Fund, (ii) moneys currently on deposit in the Construction Fund, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance public facilities costs.

“Outstanding Bonds” means all Bonds which are deemed to be outstanding under the Fiscal Agent Agreement after the first interest and/or principal payment date following the current Fiscal Year.

**1. Prepayment in Full**

Any Assessor’s Parcel of Developed Property or Undeveloped Property for which a building permit has been issued may be prepaid. The Special Tax A obligation applicable to such Assessor’s Parcel in CFD No. 06-1 may be fully prepaid and the obligation of the Assessor’s Parcel to pay the Special Tax A permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor’s Parcel at the time of prepayment. An owner of an Assessor’s Parcel intending to prepay the Special Tax A obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount of such Assessor’s Parcel. The CFD Administrator may charge a reasonable fee for providing this amount.

The Special Tax B may not be prepaid.

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

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
less	Capitalized Interest Credit
Total: equals	Prepayment Amount

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

**Paragraph No.:**

1. For Assessor’s Parcels of Developed Property, compute the Assigned Special Tax A and Backup Special Tax A applicable for the Assessor’s Parcel to be prepaid. For Assessor’s Parcels of Undeveloped Property for which a building permit has been issued, compute the Assigned Special Tax A and Backup Special Tax A for that Assessor’s Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for that Assessor’s Parcel.

2. (a) Divide the Assigned Special Tax A computed pursuant to paragraph 1 by the total estimated Assigned Special Tax A for the entire CFD No. 06-1 based on the Developed Property Special Tax A which could be charged in the current Fiscal Year on all expected development through buildout of CFD No. 06-1, and

(b) Divide the Backup Special Tax A computed pursuant to paragraph 1 by the total estimated Backup Special Tax A at buildout for the entire CFD No. 06-1.

3. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").

4. Multiply the Bond Redemption Amount computed pursuant to paragraph 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").

5. Compute the current Future Facilities Costs.

6. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the amount determined pursuant to paragraph 5 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").

7. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.

8. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.

9. Determine the Special Tax A levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.

10. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.

11. Add the amounts computed pursuant to paragraphs 7 and 9 and subtract the amount computed pursuant to paragraph 10 (the "Defeasance Amount").

12. Verify the administrative fees and expenses of No. 06-1, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").

13. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Fiscal Agent Agreement) on the prepayment date, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the "Reserve Fund Credit"). No Reserve Fund Credit shall be granted if reserve funds are below 100% of the reserve requirement.

14. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the expected

balance in the capitalized interest fund after such first interest and/or principal payment (the “Capitalized Interest Credit”).

15. The Special Tax A prepayment is equal to the sum of the amounts computed pursuant to paragraphs 3, 4, 6, 11 and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the “Prepayment Amount”).

16. From the Prepayment Amount, the amounts computed pursuant to paragraphs 3, 4, 11, 13 and 14 shall be deposited into the appropriate fund as established under the Fiscal Agent Agreement and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 6 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 06-1.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Fiscal Agent Agreement to be used with the next prepayment of bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year’s Special Tax A levy as determined under paragraph 11 (above), the CFD Administrator shall remove the current Fiscal Year’s Special Tax levy for such Assessor’s Parcel from the County tax rolls. With respect to any Assessor’s Parcel that is prepaid, the Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax A lien on such Assessor’s Parcel, and the obligation of such Assessor’s Parcel to pay the Special Tax A shall cease.

Notwithstanding the foregoing, no Special Tax A prepayment shall be allowed unless the Maximum Special Tax A that may be levied on Taxable Property, excluding Taxable Property Owner Association Property and Taxable Public Property, within CFD No. 06-1 both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

## **2. Prepayment in Part**

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

$$PP = (PE - A) (F + A).$$

These terms have the following meaning:

- PP = the partial prepayment
- PE = the Prepayment Amount calculated according to Section I.1
- F = the percent by which the owner of the Assessor’s Parcel(s) is partially prepaying the Maximum Annual Special Tax A.
- A = the Administrative Fees and Expenses according to Section I.1

The owner of any Assessor’s Parcel who desires such prepayment shall notify the CFD Administrator of (i) such owner’s intent to partially prepay the Special Tax A and (ii) the percentage by which the Special Tax A shall be prepaid. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax A for an Assessor’s Parcel within thirty (30) days of the request and may charge a reasonable fee for providing this service.

With respect to any Assessor's Parcel that is partially prepaid, the City shall (i) distribute the funds remitted to it according to Section I.1., and (ii) indicate in the records of CFD No. 06-1 that there has been a partial prepayment of the Special Tax A and that a portion of the Special Tax A equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax A shall continue to be levied on such Assessor's Parcel pursuant to Section E.

Notwithstanding the foregoing, no Special Tax A prepayment shall be allowed unless the Maximum Special Tax A that may be levied on Taxable Property, excluding Taxable Property Owner Association Property and Taxable Public Property, within CFD No. 06-1 both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

**J. TERM OF SPECIAL TAX**

The Special Tax A shall be levied for the period necessary to fully satisfy items (1), (3), (4), and (6) of the Special Tax Requirement for Facilities, but in no event shall it be levied after 2046-47. The Special Tax B shall be levied as long as necessary to meet the Special Tax Requirement for Services.

**APPENDIX F**

**INFORMATION CONCERNING THE CITY OF ORANGE  
AND COUNTY OF ORANGE**

*The following information concerning the City of Orange and the County of Orange is presented as general background data. The Bonds are not an obligation of the City of Orange, the County of Orange, the State of California or any of its political subdivisions, and neither the City, the County of Orange, the State nor any of its political subdivisions is liable therefor.*

**General Description**

The City is a general law city organized and existing under the laws of the State of California. The City, incorporated on February 28, 1928, is located along the California coast, at the southern tip of Orange County, about 60 miles south of Los Angeles and 60 miles north of San Diego. The City currently occupies a land area of approximately 18.45 square miles.

The City operates under a council-manager form of government, with a five-member council. Beginning in 2024, two City Council members were elected by district to four-year terms. In 2026, two additional City Council members will be elected by district to four-year terms and the mayor will be elected at large for a two-year term. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing day-to-day City operations, and appointing the heads of various departments. The City Council is elected on a non-partisan basis.

**Population**

The historic population of the City, the County and the State is shown below.

**POPULATION ESTIMATES  
City of Orange, Orange County and the State of California  
2016-2025<sup>(1)</sup>**

<i>Year</i>	<i>City of Orange</i>	<i>County of Orange</i>	<i>State of California</i>
2016	140,207	3,165,028	39,036,749
2017	140,281	3,185,541	39,273,915
2018	140,777	3,192,479	39,429,439
2019	140,980	3,192,408	39,503,656
2020	140,469	3,188,326	39,535,623
2021	139,249	3,174,592	39,369,530
2022	137,946	3,159,797	39,179,680
2023	138,430	3,156,200	39,228,444
2024	138,403	3,170,070	39,420,663
2025	139,724	3,175,427	39,529,101

<sup>(1)</sup> January 1 data.

Source: California State Department of Finance, Demographic Research Unit., *E-4 Population Estimates for Cities, Counties, and the State, 2011-2020, with 2010 Census Benchmark and E-4 Population Estimates for Cities, Counties, and the State, 2021-2025, with 2020 Census Benchmark.*

## Building Activity

The following tables summarize building permits and valuations for the City and the County during calendar years 2020 through 2024.

### BUILDING PERMITS AND VALUATIONS City of Orange 2020-2024 (Dollars in Thousands)

	2020	2021	2022	2023	2024
Valuation (In \$000's)					
Residential	\$18,865	\$57,331	\$28,674	\$59,916	\$37,220
Nonresidential	<u>8,588</u>	<u>48,549</u>	<u>25,889</u>	<u>38,932</u>	<u>110,042</u>
Total Valuation <sup>(1)</sup>	\$27,453	\$105,880	\$54,563	\$98,848	\$147,262
New Dwelling Units (#)					
Single-Family	17	31	36	37	68
Multifamily	<u>6</u>	<u>154</u>	<u>6</u>	<u>18</u>	<u>3</u>
Total:	23	185	42	55	71

<sup>(1)</sup> Total may not add up due to rounding.

Source: Construction Industry Research Board.

### BUILDING PERMITS AND VALUATIONS County of Orange 2020-2024 (Dollars in Thousands)

	2020	2021	2022	2023	2024
Valuation (\$000):					
Residential	\$ 1,870,958	\$ 2,393,961	\$ 2,214,772	\$ 2,573,625	\$ 2,216,030
Non-residential	<u>1,984,321</u>	<u>1,825,076</u>	<u>1,928,312</u>	<u>1,994,878</u>	<u>1,841,283</u>
Total*	\$ 3,85,279	\$ 4,29,037	\$ 4,143,084	\$ 4,568,503	\$ 4,057,313
Residential Units:					
Single family	2,863	3,292	2,929	2,688	2,295
Multiple family	<u>3,032</u>	<u>4,382</u>	<u>3,405</u>	<u>9,725</u>	<u>3,969</u>
Total	5,895	7,674	6,334	12,413	6,264

<sup>(1)</sup> Total may not add up due to rounding.

Source: Construction Industry Research Board.

## Employment

The following table summarizes the labor force, employment and unemployment figures over the past five years for the City, the County, the State of California and the United States.

### CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT City of Orange, Orange County, and the State of California 2020-2024<sup>(1)</sup>

	Labor Force	Employment	Unemployment	Unemployment Rate
<b>2020</b>				
City of Orange	70,600	64,800	5,700	8.1%
County of Orange	1,575,300	1,436,000	139,300	8.8
State of California	18,956,600	17,039,800	1,916,800	10.1
<b>2021</b>				
City of Orange	70,300	66,400	3,900	5.5%
County of Orange	1,569,400	1,476,000	93,400	6.0
State of California	18,954,600	17,564,900	1,389,700	7.3
<b>2022</b>				
City of Orange	71,900	69,700	2,200	3.1%
County of Orange	1,593,400	1,542,300	51,100	3.2
State of California	19,218,300	18,393,900	824,400	4.3
<b>2023</b>				
City of Orange	73,400	70,800	2,600	3.5%
County of Orange	1,611,700	1,555,70	56,000	3.5
State of California	19,471,000	18,551,800	919,200	4.7
<b>2024</b>				
City of Orange	73,800	71,000	2,800	3.8%
County of Orange	1,623,300	1,559,600	63,600	3.9
State of California	19,644,100	18,600,900	1,043,100	5.3

<sup>(1)</sup> Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.

Source: California Employment Development Department, *Labor Force and Unemployment Rate for Cities and Census Designated Places. March 2024 Benchmark*

## Industry

The following table summarizes employment figures by industry for the Anaheim-Santa Ana-Irvine Metropolitan Division, which is located entirely within the County.

### ANAHEIM-SANTA ANA-IRVINE MD INDUSTRY EMPLOYMENT & LABOR FORCE - BY ANNUAL AVERAGE

	2020	2021	2022	2023	2024
Civilian Labor Force	1,575,300	1,569,400	1,593,400	1,611,700	1,623,300
Civilian Employment	1,436,000	1,476,000	1,542,300	1,555,700	1,559,600
Civilian Unemployment	139,300	93,400	51,100	56,000	63,600
Civilian Unemployment Rate	8.8%	6.0%	3.2%	3.5%	3.9%
Total Farm	1,900	2,000	1,700	1,700	1,700
Total Nonfarm	1,532,700	1,587,800	1,666,000	1,677,500	1,690,200
Total Private	1,376,700	1,432,200	1,507,800	1,517,700	1,527,500
Goods Producing	251,700	252,300	261,100	261,400	261,000
Mining and Logging	400	400	300	300	400
Construction	101,300	102,200	105,300	104,500	105,600
Manufacturing	150,100	149,800	155,400	156,600	154,900
Service Providing	1,281,000	1,335,500	1,404,900	1,416,100	1,429,200
Trade, Transportation and Utilities	244,100	252,000	258,300	262,500	260,800
Wholesale Trade	76,800	77,500	79,000	81,100	80,500
Retail Trade	137,600	143,400	145,500	145,800	144,700
Transportation, Warehousing and Utilities	29,600	31,100	33,800	35,700	35,600
Information	24,100	24,000	24,300	22,700	22,200
Financial Activities	115,900	117,100	112,300	103,700	103,900
Professional and Business Services	309,200	321,700	331,500	320,100	316,900
Private Education and Health Services	225,800	237,300	249,200	262,200	272,600
Leisure and Hospitality	161,800	180,400	217,900	229,800	234,200
Other Services	44,100	47,500	53,100	55,200	56,100
Government	<u>156,100</u>	<u>155,700</u>	<u>158,200</u>	<u>159,800</u>	<u>162,700</u>
Total, All Industries	1,534,600	1,589,800	1,667,700	1,679,200	1,691,900

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households and persons involved in labor-management trade disputes. Employment reported by place of work. Items may not add to total due to independent rounding. The "Total, All Industries" data is not directly comparable to the employment data found in this Appendix C.

Source: State of California, Employment Development Department, *Industry Employment & Labor Force by Annual Average, March 2025 Benchmark.*

## Largest Employers

The following table presents the largest employers in the County as of June 30, 2025.

### LARGEST EMPLOYERS County of Orange 2025

<i>Name of Business</i>	<i>Number of Employees</i>	<i>Type of Business</i>
Walt Disney Co.	36,000	Amusement Park
University of California, Irvine	34,085	University
Providence Southern California	25,155	Medical Center
County of Orange	18,811	Local Government
Kaiser Permanente	10,293	Medical Center
Hoag Memorial Hospital Presbyterian	8,081	Medical Center
Allied Universal.	7,214	Services
Albertsons	7,152	Supermarkets
MemorialCare	6,326	Medical Center
CHOC Hospital	5,555	Medical Center

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Source: County of Orange Comprehensive Annual Financial Report, Year Ended June 30, 2025.

The following table presents the largest employers in the City as of June 30, 2025.

### LARGEST EMPLOYERS City of Orange 2025

<i>Name of Business</i>	<i>Number of Employees</i>	<i>Type of Business</i>
UCI Health Medical Center	6,240	Medical Center
Rady's Children's Health	3,938	Medical Center
Providence St. Joseph Hospital Orange	3,500	Medical Center
Chapman University	1,300	Education
CalOptima Health	1,000	Health
Wilson Automotive	915	Car Dealership
City of Orange	875	Local Government
Santiago Canyon College (SCC)	812	Education
MS International Inc.	514	Technical Services
Orange County Transportation Authority	500	Government Agency

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Source: City of Orange Comprehensive Annual Financial Report, Year Ended June 30, 2025.

## Income

The following tables show the personal income and per capita personal income for the County, State of California and United States from 2020 through 2024.

**PERSONAL INCOME**  
**County of Orange, State of California, and United States**  
**2020-2024**  
**(Dollars in Thousands)**

<i>Year</i>	<i>County of Orange</i>	<i>California</i>	<i>United States</i>
2020	239,226	2,770,489	19,613,059
2021	258,628	3,019,216	21,484,168
2022	267,135	3,021,645	22,144,814
2023	282,269	3,182,779	23,577,208
2024	298,129	3,400,237	24,897,613

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

**PER CAPITA PERSONAL INCOME<sup>(1)</sup>**  
**County of Orange, State of California, and United States**  
**2020-2024**

<i>Year</i>	<i>County of Orange</i>	<i>California</i>	<i>United States</i>
2020	75,080	70,100	59,151
2021	81,861	77,134	64,692
2022	84,577	77,196	66,298
2023	89,480	81,196	70,002
2024	94,034	86,232	73,204

<sup>(1)</sup> Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

**Sales Taxes**

The following table shows taxable transactions in Orange by type of business during calendar years 2021 through 2025.

<b>City of Orange Taxable Transactions (Dollars in thousands)</b>					
	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>
Motor Vehicle and Parts Dealers	\$ 693,841	\$ 707,649	\$ 685,494	\$ 673,629	\$ 674,211
Home Furnishings and Appliance Stores	114,799	115,526	90,102	98,902	112,750
Building Material and Garden Equipment and Supplies Dealers	335,882	362,231	359,643	359,661	345,253
Food and Beverage Stores	138,035	149,440	153,846	163,197	157,385
Gasoline Stations	242,243	297,190	261,198	238,792	232,492
Clothing and Clothing Accessories Stores	267,916	294,087	285,398	276,797	275,661
General Merchandise Stores	150,860	150,547	148,346	148,532	138,258
Food Services and Drinking Places	473,640	540,945	571,200	587,579	588,160
Other Retail Group	<u>239,823</u>	<u>230,410</u>	<u>221,675</u>	<u>207,021</u>	<u>195,164</u>
Total Retail and Food Services	\$ 2,657,040	\$ 2,848,026	\$ 2,776,902	\$ 2,754,110	\$ 2,719,335
All Other Outlets	<u>\$ 1,817,024</u>	<u>\$ 2,397,929</u>	<u>\$ 2,197,387</u>	<u>\$ 2,004,694</u>	<u>\$ 1,973,639</u>
Total All Outlets	\$ 4,474,065	\$ 5,245,955	\$ 4,974,290	\$ 4,758,804	\$ 4,692,974

Source: California Department of Tax and Fee Administration, *Taxable Sales – Cities by Type of Business (Taxable Table 4)*.

The history of taxable transactions in the County from 2021 through 2025 is shown in the following table.

**TAXABLE SALES  
County of Orange  
2021-2025**

<i>Year</i>	<i>Total Permits</i>	<i>Total Outlets Taxable Transactions</i>
2021	500,880	78,253,935,670
2022	484,486	88,027,070,683
2023	466,492	87,298,416,754
2024	469,515	86,337,412,602
2025	471,470	426,919,623,697

Source: California Department of Tax and Fee Administration, *Taxable Sales – Counties by Type of Business (Taxable Table 3)*.

**APPENDIX G**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**