

## NEW ISSUE—BOOK-ENTRY ONLY

## NO RATING

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described 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 and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See the caption "TAX EXEMPTION" with respect to tax consequences relating to the Bonds.*

**\$5,165,000\***

**CITY OF LAKE ELSINORE  
COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY)  
SPECIAL TAX BONDS, SERIES 2017  
(IMPROVEMENT AREA EE)**

**Dated: Delivery Date**

**Due: September 1, as shown on inside cover page**

The City of Lake Elsinore Community Facilities District No. 2006-1 (Summerly) Special Tax Bonds, Series 2017 (Improvement Area EE) (the "Bonds") are being issued by the City of Lake Elsinore Community Facilities District No. 2006-1 (Summerly) (the "District"): (i) to finance a portion of certain public facilities eligible to be financed by the District for Improvement Area EE of the District ("Improvement Area EE"); (ii) to fund a reserve account for the Bonds; (iii) to fund capitalized interest on a portion of the Bonds through September 1, 2018; and (iv) to pay costs of issuing the Bonds. The Bonds are authorized to be issued by the District for Improvement Area EE pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 et seq. of the Government Code of the State of California) (the "Act"), and pursuant to that certain Bond Indenture, dated as of [ ] 1, 2017 (the "Indenture"), by and between the District and Wilmington Trust, National Association, as trustee (the "Trustee").

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

The Bonds will be issued in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Bonds may be made in principal amounts of \$5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein. Interest on the Bonds will be payable on September 1, 2018 and each September 1 and March 1 thereafter. Principal of and interest on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants, who will remit such payments to the Beneficial Owners of the Bonds.

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

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

**Investment in the Bonds involves risks that are not appropriate for certain investors. Certain events could affect the ability of the District to pay the principal of and interest on the Bonds when due. See the caption "SPECIAL RISK FACTORS" for a discussion of certain risk factors that should be considered, in addition to the other matters set forth in this Official Statement, in evaluating the investment quality of the Bonds.**

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT INTENDED TO BE A SUMMARY OF THE SECURITY OR TERMS OF THIS ISSUE. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

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**MATURITY SCHEDULE  
(See Inside Cover Page)**

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*The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed on for the City and the District by Leibold McClendon, & Mann, Irvine, California, Issuer Counsel, and by Jones Hall, A Professional Law Corporation, Disclosure Counsel, and for the Underwriter by Nossaman LLP, Irvine, California. It is anticipated that the Bonds in book-entry form will be available for delivery on or about [ ], 2017.*

**[STIFEL LOGO]**

Dated: [ ], 2017

\*Preliminary; subject to change.

**\$5,165,000\***  
**CITY OF LAKE ELSINORE**  
**COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY)**  
**SPECIAL TAX BONDS, SERIES 2017**  
**(IMPROVEMENT AREA EE)**

**MATURITY SCHEDULE**

**BASE CUSIP® 50963N**

<b>Maturity Date (September 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP®†</b>
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\$[ ] [ ]% Term Bonds Due September 1, 20[ ] – Price [ ]% Yield [ ]% CUSIP®† [ ]

\$[ ] [ ]% Term Bonds Due September 1, 20[ ] – Price [ ]% Yield [ ]% CUSIP®† [ ]

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\* Preliminary; subject to change.

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

**CITY COUNCIL**

Robert Magee, *Mayor*  
Natasha Johnson, *Mayor Pro Tem*  
Daryl Hickman, *Councilmember*  
Steve Manos, *Councilmember*  
Brian Tisdale, *Councilmember*

**CITY ADMINISTRATORS**

Grant Yates, *City Manager*  
Jason Simpson, *Assistant City Manager*

**PROFESSIONAL SERVICES**

Leibold McClendon & Mann  
Irvine, California  
*Issuer Counsel*

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

Jones Hall, A Professional Law Corporation  
San Francisco, California  
*Disclosure Counsel*

Wilmington Trust, National Association  
Costa Mesa, California  
*Trustee*

SCG - Spicer Consulting Group  
Murrieta, California  
*Special Tax Consultant*

Urban Futures Incorporated  
Orange, California  
*Financial Advisor*

Kitty Siino & Associates, Inc.  
Tustin, California  
*Appraiser*

Except where otherwise indicated, all information contained in this Official Statement has been provided by the City and the District. No dealer, broker, salesperson or other person has been authorized by the City, the District, the Trustee or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained 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, the District, the Trustee or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

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

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

The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City, the District or any other parties described in this Official Statement since the date hereof. All summaries of the Indenture or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

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

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

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as a "plan," "expect," "estimate," "project," "budget," or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the caption "THE COMMUNITY FACILITIES DISTRICT."

**THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. IN EVALUATING SUCH STATEMENTS, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS.**

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

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[INSERT MAPS of (i) City, (ii) District and (iii) Improvement Area EE]

**\$5,165,000\***  
**CITY OF LAKE ELSINORE**  
**COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY)**  
**SPECIAL TAX BONDS, SERIES 2017**  
**(IMPROVEMENT AREA EE)**

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page, the table of contents and the attached appendices (collectively, the “**Official Statement**”), is to provide certain information concerning the issuance by the City of Lake Elsinore Community Facilities District No. 2006-1 (Summerly) (the “**District**”) of its Special Tax Bonds, Series 2017 (Improvement Area EE) (the “**Bonds**”). The proceeds of the Bonds will be used: (i) to finance a portion of certain public facilities eligible to be financed by the District for Improvement Area EE of the District (“**Improvement Area EE**”); (ii) to fund a reserve account for the Bonds; (iii) to fund capitalized interest on a portion of the Bonds through September 1, 2018; and (iv) to pay costs of issuing the Bonds.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the “**Act**”), and a Bond Indenture, dated as of [\_\_\_\_\_] 1, 2017 (the “**Indenture**”), by and between the District and Wilmington Trust, National Association, as trustee (the “**Trustee**”).

The Bonds are secured under the Indenture by a pledge of and lien upon Net Taxes (as such term is defined in this Official Statement) and all moneys in the Special Tax Fund (other than the Administrative Expense Account therein) as described in the Indenture.

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The sale and delivery of Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined have the meanings set forth in Appendix D.

**The Act**

The District and Improvement Area EE were formed, and the District is issuing the Bonds, under the Act.

The Act was enacted to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. Any local agency (as defined in the Act) may establish a community facilities district to provide for and finance the cost of eligible public facilities and services. Generally, the legislative body of the local agency which forms a community facilities district acts on behalf of such district as its legislative body.

Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness.

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\* Preliminary; subject to change.



## The City, District and Improvement Area EE

**City.** The City is located in the western portion of Riverside County (the “**County**”), California (the “**State**”). More information about the City is found in “Appendix B—Economic and Demographic Information Regarding the City of Lake Elsinore.”

**District.** The District comprises a portion of Summerly, a planned residential community located in the southeast portion of the City, to the east of Lake Elsinore. McMillin Summerly, LLC, a Delaware limited liability company (“**McMillin**”), acquired the partially-developed Summerly project in 2010 and serves as the master developer. At build-out, the Summerly project is expected to include approximately 1,595 single-family detached homes, commercial development, and recreational and open space. The Summerly project will be built in eight phases.

See the caption “THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA EE - General Description of the District” for further information with respect to the District.

**Improvement Area EE.** Improvement Area EE consists of Neighborhoods 9, 10 and 11 within phase four of the Summerly project and is entitled for development of 181 single-family homes. See “- Current and Proposed Development Within Improvement Area EE” below.

## Current and Proposed Ownership and Development Within Improvement Area EE

**Public Infrastructure.** The public infrastructure in Improvement Area EE has been completed by McMillin.

**Private Development.** The single-family residential lots in Improvement Area EE are being developed by three merchant builders:

(i) Woodside 05S, LP, a California limited partnership (“**Woodside**”), is developing a neighborhood called Augusta. Augusta is entitled for 59 single-family homes. A summary of property development and ownership in Augusta as of October 6, 2017, is set forth on the following page (property development and ownership information as of September 1, 2017 is presented elsewhere in this Official Statement):

<u>Category</u>	<u>Number</u>
Completed homes - Conveyed to home buyers	22
Homes over 95% complete- Owned by Woodside	3 <sup>*</sup>
Homes under 95% complete - Owned by Woodside	17 <sup>**</sup>
Finished lots	<u>17</u>
<b>Total</b>	<b>59</b>

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\*These homes are model homes

\*\*13 of these homes are in escrow. Homes in escrow may not result in closed escrows as sales contracts are subject to cancellation.

(ii) Beazer Homes Holdings, LLC, a Delaware limited liability company (“**Beazer**”), is developing a neighborhood called Willows. Willows is entitled for 63 single-family homes. A summary of property development and ownership in Willows as of October 6, 2017, is set forth

below (property development and ownership information as of September 1, 2017 is presented elsewhere in this Official Statement):

<u>Category</u>	<u>Number</u>
Completed homes - Conveyed to home buyers	26
Homes over 95% complete- Owned by Beazer	3 <sup>*</sup>
Homes under 95% complete - owned by Beazer	6 <sup>**</sup>
Finished lots	28 <sup>***</sup>
<b>Total</b>	<b>63</b>

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\*These homes are model homes.

\*\*5 of these homes are in escrow. Homes in escrow may not result in closed escrows as sales contracts are subject to cancellation.

\*\*\*3 of these finished lots are in escrow. Homes in escrow may not result in closed escrows as sales contracts are subject to cancellation.

(iii) CalAtlantic Group, Inc. (“**CalAtlantic**”), is developing a neighborhood called Monarch Grove II. Monarch Grove II is entitled for 59 single-family homes. A summary of property development and ownership in Monarch Grove II as of October 6, 2017, is set forth below (property development and ownership information as of September 1, 2017 is presented elsewhere in this Official Statement):

<u>Category</u>	<u>Number</u>
Homes under 95% complete - owned by CalAtlantic	33 <sup>*</sup>
Finished lots	26
<b>Total</b>	<b>59</b>

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\*25 of these homes are in escrow. Homes in escrow may not result in closed escrows as sales contracts are subject to cancellation.

**Concentration of Ownership.** As described in greater detail in “THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA EE” and “CURRENT AND PROPOSED DEVELOPMENT OF PROPERTY WITHIN IMPROVEMENT AREA EE,” there was significant concentration of ownership in Improvement Area EE as of September 1, 2017:

- If there were no additional homes conveyed to homebuyers (including the homes currently in escrow), the property owned by Woodside would be responsible for 21.30% of the Special Taxes expected to be levied in fiscal year 2018-19.
- If there were no additional homes conveyed to homebuyers (including the homes currently in escrow), the property owned by Beazer would be responsible for 20.80% of the Special Taxes expected to be levied in fiscal year 2018-19.
- If there were no additional homes conveyed to homebuyers (including the homes currently in escrow), the property owned by CalAtlantic would be responsible for 35.88% of the Special Taxes expected to be levied in fiscal year 2018-19

See “CURRENT AND PROPOSED DEVELOPMENT OF PROPERTY WITHIN IMPROVEMENT AREA EE” for more detailed information about the current and proposed development in Improvement Area EE.

## Sources of Payment for the Bonds

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

Under the Indenture, the District has pledged to repay the Bonds from the Special Tax revenues remaining after the payment of certain annual Administrative Expenses of the District (the “**Net Taxes**”) and from other amounts in the Special Tax Fund (other than the Administrative Expense Account therein) established under the Indenture. The Special Taxes are the primary source of security for the repayment of the Bonds. In the event that the Special Taxes are not paid when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Trustee in the Special Tax Fund, including amounts held in the Reserve Account therein, to the limited extent described in the Indenture. See the caption “SOURCES OF PAYMENT FOR THE BONDS—Reserve Account of the Special Tax Fund.”

**Foreclosure Proceeds.** The District has covenanted for the benefit of the owners of the Bonds to undertake judicial foreclosure in certain instances. See the caption “SOURCES OF PAYMENT FOR THE BONDS - Proceeds of Foreclosure Sales.”

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

## CalAtlantic Letter of Credit and Woodside Cash Deposit

As security for their respective obligation to pay Special Taxes for a limited period of time, CalAtlantic has committed to provide the District with an irrevocable letter of credit (the “**CalAtlantic Letter of Credit**”), and Woodside has agreed to provide a cash deposit (“**Woodside Cash Deposit**”). The CalAtlantic Letter of Credit and the Woodside Cash Deposit will be held by the Trustee. The CalAtlantic Letter of Credit was issued on October 1, 2017 in the amount of \$171,354.88. The Woodside Cash Deposit was issued on October 1, 2017 in the amount of \$103,482.71. ***The CalAtlantic Letter of Credit and the Woodside Cash Deposit are not pledged as security for the Bonds, and the District could instruct the Trustee to release the CalAtlantic Letter of Credit and the Woodside Cash Deposit at any time without the consent of the Owners or Beneficial Owners of the Bonds.***

See “CALATLANTIC LETTER OF CREDIT AND WOODSIDE CASH DEPOSIT” below.

## Description of the Bonds

The Bonds will be issued and delivered as fully registered Bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“**DTC**”), and will be available to actual purchasers of the Bonds (the “**Beneficial Owners**”) in the denominations of \$5,000 or any integral multiple thereof, under the book-entry system

maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described in this Official Statement. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. In the event that the book-entry only system described in this Official Statement is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Indenture. See “Appendix G—BOOK-ENTRY ONLY SYSTEM.”

Principal of, premium, if any, and interest on the Bonds is payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. See “Appendix G—BOOK-ENTRY ONLY SYSTEM.”

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

### **Tax Exemption**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California (“**Bond Counsel**”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described 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 and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See the caption “TAX EXEMPTION.”

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

### **Appraisal Report**

**Appraisal Report.** An MAI appraisal of the land and existing improvements within Improvement Area EE was prepared by Kitty Siino & Associates, Inc., Tustin, California (the “**Appraiser**”). The appraisal is dated October 5, 2017 and is entitled “Appraisal Report Community Facilities District No. 2006-1 Improvement Area EE of the City of Lake Elsinore” (the “**Appraisal Report**”). See “THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA EE - Appraisal Report” and “APPENDIX H—APPRAISAL REPORT.”

The Appraisal Report provides an estimate of the aggregate market value of the as-is condition of the taxable property within Improvement Area EE as of the date of value, September 1, 2017 (the “**Date of Value**”). The Appraisal Report reached the following market value conclusions as of September 1, 2017. Please note that the ownership information presented in the following table is current as of September 1, 2017; ownership information as of October 6, 2017 is presented elsewhere in this Official Statement. See “CURRENT PROPOSED DEVELOPMENT OF PROPERTY WITHIN IMPROVEMENT AREA EE.”

<u>Neighborhood</u>	<u>Number of Lots</u>	<u>Market Value</u>
Augusta:		
Woodside Ownership	38	\$5,220,784
Individually-Owned Homes	21	7,742,922
Willows:		
Beazer Ownership	46	6,767,384
Individually-Owned Homes	17	5,752,884
Monarch Grove II:		
CalAtlantic Ownership	<u>59</u>	<u>7,072,000</u>
<b>Total</b>	<b>181</b>	<b>\$32,555,974</b>

### **Professionals Involved in the Offering**

Wilmington Trust, National Association, Costa Mesa, California, will act as Trustee under the Indenture. Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”) is the Underwriter of the Bonds. All proceedings in connection with the issuance and delivery of the Bonds are subject to the approval of Bond Counsel. Certain legal matters will be passed on for the City and the District by Leibold McClendon & Mann, Irvine, California, Issuer Counsel, and by Jones Hall, A Professional Law Corporation, San Francisco, California, Disclosure Counsel, and for the Underwriter by Nossaman LLP, Irvine, California. Other professional services have been performed by SCG - Spicer Consulting Group, Murrieta, California, as Special Tax Consultant (the “**Special Tax Consultant**”), Kitty Siino & Associates, Inc., Tustin, California, as Appraiser and Urban Futures Incorporated, Orange, California, as Financial Advisor (the “**Financial Advisor**”).

For information concerning circumstances in which certain of the above-mentioned professionals, advisors, counsel and consultants may have a financial or other interest in the offering of the Bonds, see the caption “FINANCIAL INTERESTS.”

### **Continuing Disclosure**

The District has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (“**EMMA**”), maintained on the Internet at <http://emma.msrb.org>, certain annual financial information and operating data and notices of certain enumerated events. These covenants have been made in order to assist the Underwriter in complying with subsection (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission (“**Rule 15c2-12**”). See “Appendix E—FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

Woodside, Beazer and CalAtlantic (together, the “**Developers**”) have each agreed to provide, or cause to be provided, to EMMA certain information relating to itself and the property it owns within Improvement Area EE for a limited period of time. See “Appendix F—FORM OF DEVELOPER CONTINUING DISCLOSURE CERTIFICATE.”

### **Parity Bonds for Refunding Purposes Only**

The District has covenanted not to issue additional indebtedness secured by the Net Taxes on a parity with the Bonds (“**Parity Bonds**”) other than for refunding all or a portion of the Bonds or any Parity Bonds. See the caption “SOURCES OF PAYMENT FOR THE BONDS—Parity Bonds for Refunding Purposes Only.” Other taxes and/or special assessments with liens

equal in priority to the continuing lien of the Special Taxes may also be levied in the future on the property within Improvement Area EE, which could adversely affect the willingness of the landowners to pay the Special Taxes when due. See the captions "THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA EE—Direct and Overlapping Indebtedness" and "SPECIAL RISK FACTORS—Parity Taxes and Special Assessments."

### **Bond Owners' Risks**

Certain events could affect the ability of the District to pay the principal of and interest on the Bonds when due. See the caption "SPECIAL RISK FACTORS" for a discussion of certain factors which should be considered, in addition to other matters set forth in this Official Statement, in evaluating an investment in the Bonds. The purchase of the Bonds involves risks, and the Bonds may not be appropriate investments for some types of investors.

### **Other Information**

This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change.

Brief descriptions of the Bonds and the Indenture are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references in this Official Statement to the Indenture, the Bonds and the Constitution and laws of the State, as well as the proceedings of the City Council, acting as the legislative body of the District, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the Bonds, by reference to the Indenture. Capitalized terms not otherwise defined in this Official Statement have the meanings set forth in Appendix D.

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

## ESTIMATED SOURCES AND USES OF FUNDS

The District is issuing the Bonds to finance a portion of certain public facilities eligible to be financed by the District, to fund a reserve account for the Bonds, and to pay costs of issuing the Bonds.

The following table sets forth the expected sources and uses of Bond proceeds.

### Sources of Funds

Principal Amount of Bonds	\$[ ]
Less Net Original Issue Discount	[ ]
Total Sources	\$[ ]

### Uses of Funds:

Costs of Issuance Account <sup>(1)</sup>	\$[ ]
Capitalized Interest <sup>(2)</sup>	[ ]
Acquisition and Construction Fund	[ ]
Reserve Account of the Special Tax Fund	[ ]
Underwriter's Discount	[ ]
Total Uses	\$[ ]

<sup>(1)</sup> To pay costs of issuance, including legal fees, printing costs, and Appraiser, Financial Advisor, Special Tax Consultant and Trustee fees.

<sup>(2)</sup> A portion of the interest on the Bonds will be capitalized through September 1, 2018.

## THE BONDS

### General Provisions

The Bonds will be dated their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, payable semiannually on September 1, 2018 and each September 1 and March 1 thereafter (each, an **"Interest Payment Date"**), and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof.

Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless: (i) such date of authentication is an Interest Payment Date, in which event interest will be payable from such date of authentication; (ii) the date of authentication is after the fifteenth day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day (each, a **"Record Date"**) but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication; or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest will be payable from the dated date of the Bonds; provided, however, that if at the time of authentication of a Bond, interest is in default, interest on such Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment, or, if no interest has been paid or made available for payment on such Bond, interest on such Bond will be payable from its dated date.

Interest on any Bond will be paid to the person whose name appears as its owner in the registration books held by the Trustee on the close of business on the Record Date. Interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, to the Bondowner at its address on the registration books kept by the Trustee. Pursuant to a written request prior to the Record Date of a Bondowner of at least \$1,000,000 in aggregate principal amount of Bonds, payment will be made by wire transfer in immediately available funds to a designated account in the United States.

Principal of, premium, if any, and interest on the Bonds due upon redemption is payable upon presentation and surrender of the Bonds at the principal corporate trust office of the Trustee in Costa Mesa, California.

The Bonds are issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee for the DTC. DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 and any integral multiple thereof. See "Appendix G—BOOK-ENTRY ONLY SYSTEM."



## Debt Service Schedule

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

<b>Date (September 1)</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
Total			

Source: Underwriter.

## Redemption

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

<u>Redemption Date</u>	<u>Redemption Price</u>
September 1, 20__ and any Interest Payment Date through March 1, 20__	103%
September 1, 20__ and March 1, 20__	102
September 1, 20__ and March 1, 20__	101
September 1, 20__ and any Interest Payment Date thereafter	100

In the event that the District elects to redeem Bonds as provided above, the District will give written notice to the Trustee of its election to so redeem, the redemption date and the principal amount of the Bonds of each maturity to be redeemed. The notice to the Trustee will be given at least 30 but no more than 60 days prior to the redemption date, or by such later date as is acceptable to the Trustee.

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

### Term Bonds Maturing September 1, 20\_\_

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

**Sinking Payments**

† \_\_\_\_\_  
Maturity.

**Term Bonds Maturing September 1, 20\_\_**

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

**Sinking Payments**

† \_\_\_\_\_  
Maturity.

If the District purchases Term Bonds during the fiscal year immediately preceding one of the sinking fund redemption dates specified above, the District will notify the Trustee at least 45 days prior to the redemption date as to the principal amount purchased, and the amount purchased will be credited at the time of purchase to the next Sinking Fund Payment for the Term Bond so purchased, to the extent of the full principal amount of the purchase. All Term Bonds purchased pursuant to the Indenture will be cancelled pursuant to the Indenture.

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

***Special Mandatory Redemption from Special Tax Prepayments.*** The Bonds are subject to special mandatory redemption as a whole or in part on a pro rata basis among maturities and by lot within a maturity, on any Interest Payment Date on and after September 1, 20\_\_, and will be redeemed by the Trustee, from any amounts paid by the District to the Trustee and designated by the District as a prepayment of Special Taxes for one or more parcels in Improvement Area EE made in accordance with the Rate and Method (the “**Prepayments**”) deposited to the Redemption Account pursuant to the Indenture, plus amounts transferred from the Reserve Account pursuant to the Indenture, at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the redemption date:

<b><u>Redemption Date</u></b>	<b><u>Redemption Price</u></b>
September 1, 20__ and any Interest Payment Date through March 1, 20__	103%
September 1, 20__ and March 1, 20__	102
September 1, 20__ and March 1, 20__	101
September 1, 20__ and any Interest Payment Date thereafter	100

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

The Trustee will give notice, in the name of the District, of the redemption of Bonds; provided, however, that a notice of a redemption to be made from other than from Sinking Fund Payments may be conditioned on there being on deposit on the redemption date sufficient money to pay the redemption price of the Bonds to be redeemed. Such notice of redemption will: (i) specify the CUSIP numbers (if any), the bond numbers and the maturity date or dates of the Bonds selected for redemption, except that where all of the Bonds are subject to redemption, or all of the Bonds of one maturity are to be redeemed, the bond numbers of such

issue need not be specified; (ii) state the date fixed for redemption and surrender of the Bonds to be redeemed; (iii) state the redemption price; (iv) state the place or places where the Bonds are to be redeemed; (v) in the case of Bonds to be redeemed only in part, state the portion of such Bond which is to be redeemed; (vi) state the date of issue of the Bonds as originally issued; (vii) state the rate of interest borne by each Bond being redeemed; and (viii) state any other descriptive information needed to identify accurately the Bonds being redeemed as specified by the Trustee. Such notice will further state that on the date fixed for redemption, there will become due and payable on each Bond, or portion thereof called for redemption, the principal thereof, together with any premium, and interest accrued to the redemption date, and that from and after such date, interest thereon will cease to accrue and be payable. At least 30 days but no more than 45 days prior to the redemption date, the Trustee will mail a copy of such notice, by first class mail, postage prepaid, to the respective Owners thereof at their addresses appearing on the Bond Register; provided, however, so long as the Bonds and Parity Bonds are registered in the name of the Nominee, such notice shall be given in such manner as complies with the requirements of the Depository. The actual receipt by the Owner of any Bond of notice of such redemption is not a condition precedent to redemption, and neither the failure to receive nor any defect in such notice will affect the validity of the proceedings for the redemption of such Bonds, or the cessation of interest on the redemption date. A certificate by the Trustee that notice of such redemption has been given as provided in the Indenture will be conclusive as against all parties and the Owner is not entitled to show that he or she failed to receive notice of such redemption.

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

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

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

With respect to any notice of optional redemption of Bonds, such notice may state that such redemption is conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Bonds to be redeemed and that, if 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.

***Selection of Bonds for Redemption.*** If less than all of the Bonds Outstanding are to be redeemed, the portion of any Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or an integral multiple thereof. In selecting portions of such Bonds for redemption, the Trustee will treat such Bonds as representing that number of Bonds of \$5,000 denominations which is obtained by dividing the principal amount of such Bonds to be redeemed in part by \$5,000. The procedure for the selection of Parity Bonds for redemption may be modified as set forth in the Supplemental Indenture for such Parity Bonds. The Trustee will promptly notify the District in writing of the Bonds, or portions thereof, selected for redemption.

***Partial Redemption of Bonds.*** Upon surrender of any Bond to be redeemed in part only, the District will execute and the Trustee will authenticate and deliver to the Owner, at the expense of the District, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered, with the same interest rate and the same maturity.

***Effect of Notice and Availability of Redemption Money.*** Notice of redemption having been duly given, as provided in the Indenture, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption: (i) the Bonds, or portions thereof, designated for redemption will, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in the Indenture, anything in the Indenture or in the Bonds to the contrary notwithstanding; (ii) upon presentation and surrender thereof at the office of the Trustee, the redemption price of such Bonds will be paid to the Owners thereof; (iii) as of the redemption date the Bonds, or portions thereof so designated for redemption will be deemed to be no longer Outstanding and such Bonds, or portions thereof, will cease to bear further interest; and (iv) as of the date fixed for redemption no Owner of any of the Bonds, or portions thereof so designated for redemption will be entitled to any of the benefits of the Indenture, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

## **Registration, Transfer and Exchange**

***Registration.*** The Trustee will keep sufficient books for the registration and transfer of the Bonds. The ownership of the Bonds will be established by the Bond registration books held by the Trustee.

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

Bonds may be exchanged at the office of the Trustee for a like aggregate principal amount of Bonds for other authorized denominations of the same maturity and issue. The Trustee may not collect from the Owner any charge for any new Bond issued upon any exchange or transfer, but will require the Owner requesting such exchange or transfer to pay any tax or other governmental charge required to be paid with respect to such exchange or transfer. Whenever any Bonds are surrendered for registration of transfer or exchange, the District will execute and the Trustee will authenticate and deliver a new Bond or Bonds, as

applicable, of the same issue and maturity, for a like aggregate principal amount; provided that the Trustee is not required to register transfers or make exchanges of: (i) Bonds for a period of 15 days next preceding any selection of the Bonds to be redeemed; or (ii) any Bonds chosen for redemption.

## **SOURCES OF PAYMENT FOR THE BONDS**

### **Limited Obligations**

The Bonds are special, limited obligations of the District payable only from amounts pledged under the Indenture and from no other sources.

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

In the event that the Special Tax revenues are not received when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Trustee in the Special Tax Fund (other than the Administrative Expense Account therein), including amounts held in the Reserve Account therein, for the exclusive benefit of the Owners of the Bonds.

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

### **Special Taxes**

***Authorization and Pledge.*** At a special election held on April 8, 2014, the eligible electors within Improvement Area EE authorized the District to incur indebtedness in an amount not to exceed \$7,500,000 in Improvement Area EE and approved the Rate and Method which authorizes the Special Tax to be levied in Improvement Area EE to repay District indebtedness, including the Bonds.

The Bonds will be repaid only from annual Net Taxes derived from the levy and collection of Special Taxes in Improvement Area EE pursuant to the Rate and Method. The Rate and Method permits the prepayment of Special Taxes for an Assessor's Parcel, and any such Prepayments will be applied to redeem Bonds and Parity Bonds, if any. The Net Taxes

collected from the annual Special Tax levy and the proceeds of any prepayment of Special Taxes have been pledged under the Indenture to the repayment of the Bonds and Parity Bonds.

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

***CalAtlantic Letter of Credit and Woodside Cash Deposit.*** CalAtlantic has committed to provide a Letter of Credit to secure payment of Special Taxes levied on the property in Improvement Area EE owned by CalAtlantic, for a limited period of time. Woodside has committed to make a cash deposit to secure payment of Special Taxes levied on the property in Improvement Area EE owned by Woodside, for a limited period of time. The CalAtlantic Letter of Credit and the Woodside Cash Deposit will be held by the Trustee. ***The CalAtlantic Letter of Credit and the Woodside Cash Deposit are not pledged as security for the Bonds, and the District could instruct the Trustee to release the CalAtlantic Letter of Credit and the Woodside Cash Deposit at any time without the consent of the Owners or Beneficial Owners of the Bonds.*** See “CALATLANTIC LETTER OF CREDIT AND WOODSIDE CASH DEPOSIT.”

***Rate and Method of Apportionment of Special Tax.*** The District is legally authorized to levy the Special Taxes in Improvement Area EE in an amount determined according to the Rate and Method. The Rate and Method apportions the total amount of Special Taxes to be collected among the taxable parcels in Improvement Area EE as more particularly described below. The full text of the Rate and Method is set forth in Appendix A.

Property to be taxed pursuant to the Rate and Method of Apportionment is classified as “Taxable Property.” Taxable Property consists of Developed Property, Taxable Public Property, Taxable Property Owner Association Property, Approved Property or Undeveloped Property, all as defined in the Rate and Method.

The amount of Special Tax that the District may levy is limited by the Maximum Special Tax rates set forth in the Rate and Method. The Maximum Special Tax for each Assessor’s Parcel of Developed Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax for Facilities or (ii) the amount derived by application of the Backup Special Tax for Facilities.

***Maximum Special Tax Levy by Land Use.*** The table below presents the Assigned Special Tax for fiscal year 2018-19 for each parcel in Improvement Area EE by land use assuming no additional homes are conveyed to homebuyers, and no additional building permits for additional homes are issued to the Developers. The table demonstrates that based on such assumption approximately 24.6% of the fiscal year 2018-19 levy would be levied on Approved Property. Information is presented about the fiscal year 2018-19 special tax levy because the City levied special taxes in fiscal year 2017-18 on only a handful of parcels for which building permits had been issued as of May 1, 2017 in Improvement Area EE and most of the interest on the Bonds is capitalized from proceeds of the Bonds through September 1, 2018.

**TABLE 1**  
**CITY OF LAKE ELSINORE**  
**COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY)**  
**(IMPROVEMENT AREA EE)**  
**ASSIGNED SPECIAL TAX BY CLASS**

Land Use Type	Residential Floor Area (sq. ft.)	Assigned Special Tax Rate FY 2018-19	Estimated Special Tax Rates FY 2018-19 <sup>(1)</sup>	No. of Units	No. of Acres	Aggregate Estimated Special Taxes FY 2018-19	Percent of Total
Residential Property	< 1,100	\$1,054.49	\$1,054.49	0		\$0.00	0.0%
Residential Property	1,100-1,299	1,113.08	1,113.08	0		0.00	0.0
Residential Property	1,300-1,499	1,171.66	1,171.66	0		0.00	0.0
Residential Property	1,500-1,699	1,230.24	1,230.24	17		20,914.08	8.6
Residential Property	1,700-1,899	1,288.83	1,288.83	16		20,621.28	8.5
Residential Property	1,900-2,099	1,347.41	1,347.41	7		9,431.87	3.9
Residential Property	2,100-2,299	1,405.99	1,405.99	18		25,307.82	10.4
Residential Property	2,300-2,499	1,464.57	1,464.57	0		0.00	0.0
Residential Property	2,500-2,699	1,523.16	1,523.16	24		36,555.84	15.1
Residential Property	2,700-2,899	1,640.33	1,640.33	27		44,288.91	18.3
Residential Property	2,900-3,099	1,757.49	1,757.49	0		0.00	0.0
Residential Property	3,100-3,299	1,991.82	1,991.82	13		25,893.66	10.7
Residential Property	3,300-3,499	2,226.15	2,226.15	0		0.00	0.0
Residential Property	> 3,499	2,460.49	2,460.49	0		0.00	0.0
Approved Property	N/A	13,547.86	6,137.42	59	9.71	59,594.32	24.6
<b>Total</b>				<b>181</b>	<b>9.71</b>	<b>\$242,607.78</b>	<b>100.0%</b>

(1) Includes estimated Administrative Expenses of \$20,000.  
Source: Special Tax Consultant.

For each fiscal year, the City Council will determine the Special Tax Requirement. The Special Tax will be levied pursuant to the Rate and Method on each Assessor's Parcel of Taxable Property, up to the applicable Maximum Special Tax, to satisfy the Special Tax Requirement. *Notwithstanding the foregoing, under no circumstances will the Special Taxes levied against any Assessor's Parcel used as a private residence be increased as a consequence of delinquency or default by the owner or owners of any other Assessor's Parcel or Assessor's Parcels within Improvement Area EE 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.*

The Rate and Method provides that Special Taxes may be prepaid in whole under the circumstances described in Section G of the Rate and Method.

**Estimated Debt Service Coverage.** In connection with the issuance of the Bonds, the Special Tax Consultant will certify that the Maximum Special Tax that may be levied in each fiscal year on Assessor's Parcels within Improvement Area EE classified as Taxable Property as of [May 1, 2018] will be at least equal to the sum of: (i) 110% of Maximum Annual Debt Service on the Bonds; plus (ii) the Administrative Expenses Cap (which is defined in the Indenture as \$20,000 for fiscal year 2018-19 and escalating 2% annually thereafter. Actual collections of the Special Tax will depend on the amount of Special Tax delinquencies.

The Rate and Method provides that the Special Tax may not be levied on a parcel of Taxable Property after fiscal year 2054-2055. There are adequate Net Taxes, assuming 100% collection, to pay debt service and provide at least 110% coverage in each year throughout the term of the Bonds. See the caption "SPECIAL RISK FACTORS—Proposition 218" for a discussion of certain provisions of State law that could allow property owners within Improvement Area EE to reduce the maximum amount of Special Taxes that may be levied.



**Levy, Collection and Application of Special Taxes.** The Special Taxes are levied and collected by the Treasurer and Tax Collector of the County in the same manner and at the same time as *ad valorem* property taxes.

The District has covenanted in the Indenture that each year it will levy Special Taxes in Improvement Area EE up to the maximum rates permitted under the Rate and Method in an amount sufficient, together with other amounts on deposit in the Special Tax Fund, to pay the principal of and interest on any Outstanding Bonds and Parity Bonds, to replenish the Reserve Account to the Reserve Requirement and to pay Administrative Expenses.

The District has made certain covenants in the Indenture which are intended to ensure that the current maximum Special Tax rates and power of the District to levy the Special Taxes are not altered in a manner that would impair the District's ability to collect sufficient Special Taxes in Improvement Area EE to pay debt service on the Bonds and Administrative Expenses when due.

First, the District has covenanted that it will take no actions that would discontinue or cause the discontinuance of the Special Tax levy or the District's authority to levy the Special Tax for so long as the Bonds and any Parity Bonds are Outstanding.

Second, the District has covenanted, to the maximum extent that the law permits it to do so, not to initiate proceedings to reduce the maximum Special Tax rates for Improvement Area EE, unless, in connection therewith, the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that: (i) such changes do not reduce the maximum Special Taxes that may be levied in each year on property within Improvement Area EE to an amount which is less than the Administrative Expense Cap plus 110% of the Annual Debt Service due in each corresponding future Bond Year with respect to the Bonds and Parity Bonds Outstanding as of the date of such proposed reduction; and (ii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds.

Third, the District has covenanted that, in the event that any initiative is adopted by the qualified electors in Improvement Area EE which purports to reduce the maximum Special Tax below the levels specified in the previous sentence or to limit the power of the District to levy the Special Taxes for the purposes set forth in the Indenture, it will commence and pursue legal action in order to preserve its ability to comply with such covenants. The District can provide no assurance that any such legal action will be successful. See the caption "SPECIAL RISK FACTORS—Proposition 218."

Fourth, the District has covenanted that it will not adopt any policy pursuant to the Act permitting the tender of Bonds or Parity Bonds in full payment or partial payment of any Special Taxes unless the District has first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Net Taxes from Improvement Area EE to pay the principal of and interest on the Bonds and Parity Bonds when due.

Although the Special Taxes constitute liens on taxed parcels within Improvement Area EE, they do not constitute a personal indebtedness of the owners of property within Improvement Area EE. Moreover, other liens for taxes and assessments already exist on the property located within Improvement Area EE and others could come into existence in the future in certain situations without the consent or knowledge of the City or the landowners therein.

See the captions “THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA EE—Direct and Overlapping Indebtedness” and “SPECIAL RISK FACTORS—Parity Taxes and Special Assessments.” There is no assurance that property owners in Improvement Area EE will be financially able to pay the annual Special Taxes or that they will pay such taxes even if financially able to do so, all as more fully described under the caption “SPECIAL RISK FACTORS.”

***Proceeds of Foreclosure Sales.*** The net proceeds received following a judicial foreclosure sale of property within Improvement Area EE resulting from a property owner’s failure to pay the Special Taxes when due are included within the Net Taxes pledged to the payment of principal of and interest on the Bonds under the Indenture.

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax or receipt by the District of Special Taxes in an amount which is less than the Special Taxes levied, the City Council, as the legislative body of the District, may order that Special Taxes be collected by a Superior Court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory. However, the District has covenanted for the benefit of the owners of the Bonds and any Parity Bonds that it will:

- (i) commence judicial foreclosure proceedings against parcels in Improvement Area EE with delinquent Special Taxes in excess of \$5,000 by the October 1 following the close of each fiscal year of the District ending June 30 (each, a “**Fiscal Year**”) in which such Special Taxes were due;
- (ii) commence judicial foreclosure proceedings against all parcels in Improvement Area EE with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied; and
- (iii) diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as the amount in the Reserve Account is at least equal to the Reserve Requirement. See the caption “**SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—Proceeds of Foreclosure Sales.**”

There is no assurance that the property within Improvement Area EE can be sold for the appraised values described in this Official Statement, or for a price sufficient to pay the principal of and interest on the Bonds in the event of a default in payment of Special Taxes by the current or future landowners within Improvement Area EE. See the caption “SPECIAL RISK FACTORS—Appraised Value.”

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

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

**Collection of Special Taxes and Flow of Funds.** The Special Taxes will be levied and collected by the Treasurer and Tax Collector of the County in the same manner and at the same time as *ad valorem* property taxes. When the County apportions Special Taxes to the District, the District will transmit the Special Taxes to the Trustee for deposit in the Special Tax Fund established by the Indenture. The Trustee is required to disburse moneys in the Special Tax Fund, first to the Administrative Expense Account of the Special Tax Fund in an amount necessary to pay the Administrative Expenses, up to the amount of the Administrative Expenses Cap. Additionally, on the dates specified in the Indenture and if there are sufficient amounts available in the Special Tax Fund for such purposes, the Trustee is to make the following transfers in the priority described below:

- First: 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. 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.
- Second: To the Principal Account, an amount such that the balance in the Principal Account one Business Day prior to September 1 of each year commencing September 1, 2018, equals the principal payment of the Bonds and any Parity Bonds due on such September 1 and any principal payment due on a previous September 1 which remains unpaid. Moneys in the Principal Account will be used for the payment of the principal of the Bonds and any Parity Bonds as the same become due.
- Third: To the Redemption Account, an amount sufficient to pay the principal of and interest on and any premiums payable on Bonds and any Parity Bonds called for mandatory sinking fund redemption and optional redemption, in such order.
- Fourth: To the Reserve Account of the Special Tax Fund to the extent necessary to replenish the Reserve Account to the Reserve Requirement.

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

### **Reserve Account of the Special Tax Fund**

In order to secure further the payment of principal of and interest on the Bonds, the District is required, upon delivery of the Bonds, to deposit in the Reserve Account and thereafter to maintain in the Reserve Account an amount equal to the Reserve Requirement. **“Reserve Requirement”** is defined in the Indenture to mean, as of any date of calculation, the lesser of: (i) 10% of the initial principal amount of the Bonds and any Parity Bonds; (ii) the Maximum Annual Debt Service on the then Outstanding Bonds and Parity Bonds; or (iii) 125% of average Annual Debt Service on the then Outstanding Bonds and Parity Bonds.

Subject to the limits on the maximum annual Special Tax levy set forth in the Rate and Method and in the Indenture, the District has covenanted to levy Special Taxes in an amount sufficient, in light of the other intended uses of the Special Tax proceeds, to maintain the balance in the Reserve Account at the Reserve Requirement. Amounts in the Reserve Account are to be applied: (i) to pay debt service on the Bonds, including Sinking Fund Payments, or any Parity Bonds to the extent that other monies are not available therefor; (ii) to redeem Bonds in accordance with the Indenture and the Rate and Method in the event of prepayment of Special Taxes or to redeem Parity Bonds or in the event of a partial defeasance; and (iii) to the extent that the Reserve Account is at the Reserve Requirement as of the first day of the final Bond Year for the Bonds or an issue of Parity Bonds, amounts in the Reserve Account may be applied to pay the principal of and interest due on the Bonds and Parity Bonds, as applicable, in the final Bond Year for such issue.

### **Parity Bonds for Refunding Purposes Only**

The District has covenanted not to issue Parity Bonds except as provided in the Indenture and only for the purposes of refunding all or a portion of the Bonds or any Parity Bonds.

## **CALATLANTIC LETTER OF CREDIT AND WOODSIDE CASH DEPOSIT**

The CalAtlantic Letter of Credit and the Woodside Cash Deposit are not pledged as security for the Bonds, and the District could instruct the Trustee to release the CalAtlantic Letter of Credit and the Woodside Cash Deposit at any time without the consent of the Owners or Beneficial Owners of the Bonds.

### **CalAtlantic Letter of Credit**

CalAtlantic has committed to provide an irrevocable letter of credit (referred to in this Official Statement as the “**CalAtlantic Letter of Credit**”) to secure payment of Special Taxes levied on the property in Improvement Area EE owned by CalAtlantic. The CalAtlantic Letter of Credit will identify the City as beneficiary and will be held by the Trustee.

During each fiscal year in which the CalAtlantic Letter of Credit is in effect, the “**Stated Amount**” must equal the estimated amount of Special Taxes to be levied on property owned by CalAtlantic or its successors-in-interest (other than individual homeowners) during that fiscal year and the subsequent fiscal year. The initial amount of the CalAtlantic Letter of Credit is \$171,354.88, which is equal to two years of the Special Tax levy attributable to parcels owned by CalAtlantic as of the date of issuance of the Bonds.

The initial term of the CalAtlantic Letter of Credit is one year from its date of issuance, and CalAtlantic will maintain and cause the issuing bank to annually renew the CalAtlantic Letter of Credit each year prior to its expiration date until CalAtlantic has conveyed 80% or more of the parcels being developed by CalAtlantic in Improvement Area EE. When CalAtlantic has conveyed 80% or more of the residential lots that it is developing within Improvement Area EE, the CalAtlantic Letter of Credit will be released. Notwithstanding the foregoing, the District may release the CalAtlantic Letter of Credit at any time.

### **Woodside Cash Deposit**

Woodside has committed to deposit \$103,482.71 with the Trustee, which is equal to two years of the Special Tax levy attributable to parcels owned by Woodside as of date of issuance of the Bonds. During each fiscal year in which Woodside is obligated to maintain the Woodside Cash Deposit, it must equal the estimated amount of Special Taxes to be levied on property owned by Woodside or its successors-in-interest (other than individual homeowners) during that fiscal year and the subsequent fiscal year. When Woodside has conveyed 80% or more of the residential lots that it is developing within Improvement Area EE, the Woodside Cash Deposit will be released. Notwithstanding the foregoing, the District may release the Woodside Cash Deposit at any time.

[INSERT AERIAL PHOTOGRAPH]

## THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA EE

### General Description of the District

The District consists of approximately 293 acres of contiguous land located at the east end of Lake Elsinore near the I-15 Freeway. The topography of the District is relatively flat with only gradual sloping down to the south and west.

The District is within an area covered by an amended East Lake Specific Plan (the “**Specific Plan**”) which was originally adopted by the City Council in 1993. The Specific Plan covers a 3,000-acre area that provided for up to 9,000 dwelling units and a combination of commercial, recreational and open space uses. The District comprises 293 of these acres and at build-out, is planned to contain 1,595 single-family detached homes. The District is about 40% built out as of September 1, 2017. Although not part of the District, the Summerly development includes three 1/2-acre neighborhood parks, a larger community park, a community recreation center, open space areas, and a golf course. It is projected that there will be eight phases (each, a “**Phase**”) with a total of 23 different neighborhoods of homes on lots ranging from 3,525 square feet to 7,200 square feet, with a wide range of home sizes and prices. A map of the District is set forth on the preceding page.

### Improvement Area EE

**General.** Improvement Area EE includes Neighborhoods 9, 10 and 11 and is part of Phase 4 of the Summerly project. Improvement Area EE consists of a total of 181 single-family lots.

**Public Infrastructure.** All in-tract infrastructure necessary to complete the planned development within Improvement Area EE has been constructed.

**Utilities.** Water and sewer service to the property within Improvement Area EE is currently supplied by the Elsinore Valley Municipal Water District. Electricity is currently supplied by Southern California Edison Company, and telephone services by Southern California Telephone & Energy.

**Natural Disasters.** Although, like all of Southern California, the land within Improvement Area EE is subject to seismic activity, it is not located within an Alquist-Priolo Earthquake Fault Zone. Additionally, per the Federal Emergency Management Agency (“**FEMA**”) Map Number 06065C2043G Panel 2043 of 3805 dated August 28, 2008, the subject property is located within the special Flood Hazard Area subject to inundation by the one percent annual chance of flood. However, FEMA has issued a Letter of Map Revision based on Fill which removes the subject property from the federal requirement for the lender to require flood insurance.

**Development of Single-Family Lots.** Information about the ownership and planned development of the single-family lots in Improvement Area EE is set forth under the caption “CURRENT AND PROPOSED DEVELOPMENT OF PROPERTY WITHIN IMPROVEMENT AREA EE.”

### History of the District and Improvement Area EE

The District was formed in 2006 pursuant to the Act. Since then, the District was amended by two sets of change proceedings.

Most recently, in 2014, the City completed additional proceedings to amend the District. Pursuant to Resolution No. 2014-10 on February 25, 2014, the City Council, among other things, designated Improvement Area EE, and, pursuant to Resolution No. 2014-011 on February 25, 2014, stated its intention and necessity to incur bonded indebtedness in the amount of not to exceed \$7,500,000 for Improvement Area EE for the purpose of financing the purchase, construction, expansion or rehabilitation of certain facilities in Improvement Area EE (the “**Facilities**”).

Subsequent to a noticed public hearing on April 8, 2014, the City Council adopted Resolution No 2014-018 on April 8, 2014, which called an election within Improvement Area EE on the proposition of incurring bonded indebtedness, levying a special tax and setting an appropriations limit

On April 8, 2014, an election was held within Improvement Area EE in which the eligible electors within Improvement Area EE approved by more than two-thirds vote the proposition authorizing, among other things, the issuance of bonds in an amount not to exceed \$7,500,000, to finance the Facilities. On April 8, 2014, the City Council, acting as the legislative body of the District, introduced Ordinance No. 2014-1325 (the “**Ordinance**”), which provides for the rate and method of apportionment and levying of the Special Tax (the “**Rate and Method**”) within Improvement Area EE. The Ordinance was adopted on April 22, 2014.

## Appraisal Report

**General.** An MAI appraisal of the land and existing improvements within Improvement Area EE was prepared by Kitty Siino & Associates, Inc., Tustin, California (the “**Appraiser**”). The appraisal is dated October 5, 2017 and is entitled “Appraisal Report Community Facilities District No. 2006-1 Improvement Area “EE” of the City of Lake Elsinore” (the “**Appraisal Report**”). See “APPENDIX H—APPRAISAL REPORT.”

**Estimated Market Value.** The Appraisal Report provides an estimate of the aggregate market value of the as-is condition of the taxable property within Improvement Area EE as of the date of value, September 1, 2017 (the “**Date of Value**”).

<u>Neighborhood</u>	<u>Number of Lots</u>	<u>Market Value</u>
Augusta		
Woodside Ownership	38	\$5,220,784
Individually-Owned Homes	21	7,742,922
Willows		
Beazer Ownership	46	6,767,384
Individually-Owned Homes	17	5,752,884
Monarch Grove II		
CalAtlantic Ownership	<u>59</u>	<u>7,072,000</u>
<b>Total</b>	<b>181</b>	<b>\$32,555,974</b>

**Method of Valuation.** The Appraisal Report utilizes the following methods of valuation of the various properties in Improvement Area EE:

Completed-Individually Owned homes: The analysis of the completed-Individually Owned homes is of the aggregate value and on a mass appraisal basis by means of the Sales Comparison Approach.



Over 95% Completed-unsold homes: The analysis considers a discount due to the concentrated ownership with the discount reflecting holding/sales costs, finishing costs, risk and profit in order to sell off the homes.

Homes under 95% Complete/Finished Lots: The Appraisal values homes that are under construction but are less than 95% complete as of the Date of Value on the basis of a finished lot, rather than attribute value to partially-completed improvements. The analysis of the vacant lots as if in finished condition is based on the Sales Comparison Approach, considering recent sales of residential land or bulk lots from the general area in comparison to the subject property less remaining fees to be paid.

See “APPENDIX H—APPRAISAL REPORT.”

***Updated Ownership Information.*** Ownership information as of October 6, 2017 is presented elsewhere in this Official Statement. See “CURRENT AND PROPOSED DEVELOPMENT OF PROPERTY WITHIN IMPROVEMENT AREA EE.”

### **Direct and Overlapping Indebtedness**

The ability of an owner of land within Improvement Area EE to pay the Special Taxes could be affected by the existence of other taxes and assessments imposed upon the property. Certain of those taxes and assessments relate to direct and overlapping debt which is set forth in Table 2 below (the “**Debt Report**”). The Debt Report includes the principal amount of the Bonds.

The Debt Report has been derived from data assembled and reported to the District by the Special Tax Consultant as of the Date of Value. Neither the District, the City nor the Underwriter has independently verified the information in the Debt Report or guarantees its completeness or accuracy.

The Debt Report sets forth those entities which have issued debt and does not include entities which only levy or assess fees, charges, *ad valorem* taxes or other special taxes. The Debt Report is included for general information purposes only.

**TABLE 2**  
**CITY OF LAKE ELSINORE**  
**COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY)**  
**(IMPROVEMENT AREA EE)**  
**DIRECT AND OVERLAPPING DEBT<sup>(1)</sup>**

<b>I. Appraisal Value<sup>(1)</sup></b>						\$32,555,974
<b>II. Land Secured Bond Indebtedness</b>						
<u>Outstanding Direct and Overlapping Bonded Debt</u>	<u>Type</u>	<u>Issued</u>	<u>Outstanding</u>	<u>% Applicable</u>	<u>Parcels in CFD 2006- 1 IA EE<sup>(4)</sup></u>	<u>Amount Applicable</u>
CITY OF LAKE ELSINORE CFD 2006-1 IA EE, 2017 SERIES	CFD	\$5,165,000	\$5,165,000	100%	181	\$5,165,000
<b>TOTAL OUTSTANDING LAND SECURED BONDED DEBT<sup>(2)(3)</sup></b>						<b>\$5,165,000</b>
<u>Authorized but Unissued Direct &amp; Overlapping Indebtedness</u>	<u>Type</u>	<u>Authorized</u>	<u>Unissued</u>	<u>% Applicable</u>	<u>Parcels in CFD 2006- 1 IA EE<sup>(4)</sup></u>	<u>Amount Applicable</u>
CITY OF LAKE ELSINORE CFD NO. 2006-1 IA EE, 2017 SERIES	CFD	\$7,500,000	\$0	100%	181	\$0
LAKE ELSINORE USD CFD NO. 2006-2 IA B	CFD	\$16,000,000	\$16,000,000	37%	181	\$5,920,000
<b>TOTAL UNISSUED LAND SECURED INDEBTEDNESS<sup>(2)(3)</sup></b>						<b>\$5,920,000</b>
<b>TOTAL OUTSTANDING AND UNISSUED LAND SECURED INDEBTEDNESS<sup>(2)(3)</sup></b>						<b>\$11,085,000</b>
<b>III. General Obligation Bond Indebtedness</b>						
<u>Outstanding Direct and Overlapping Bonded Debt</u>	<u>Type</u>	<u>Issued</u>	<u>Outstanding</u>	<u>% Applicable</u>	<u>Parcels in CFD 2006- 1 IA EE<sup>(4)</sup></u>	<u>Amount Applicable</u>
METROPOLITAN WATER DEBT SERVICE	GO	\$850,000,000	\$110,420,000	0.010%	181	\$11,143
MT. SAN JACINTO JR COLLEGE DEBT SERVICE	GO	\$70,000,000	\$70,000,000	0.012%	181	\$8,106
LAKE ELSINORE USD DEBT SERVICE	GO	\$32,415,000	\$32,415,000	0.002%	181	\$507
<b>TOTAL OUTSTANDING GENERAL OBLIGATION BONDED DEBT<sup>(2)</sup></b>						<b>\$19,756</b>
<u>Authorized but Unissued Overlapping Indebtedness</u>	<u>Type</u>	<u>Authorized</u>	<u>Unissued</u>	<u>% Applicable</u>	<u>Parcels in CFD 2006- 1 IA EE<sup>(4)</sup></u>	<u>Amount Applicable</u>
METROPOLITAN WATER DEBT SERVICE	GO	\$850,000,000	\$0	0.010%	181	\$0
MT. SAN JACINTO JR COLLEGE DEBT SERVICE	GO	\$295,000,000	\$225,000,000	0.012%	181	\$26,054
LAKE ELSINORE USD DEBT SERVICE	GO	\$105,000,000	\$72,585,000	0.002%	181	\$1,135
<b>TOTAL UNISSUED GENERAL OBLIGATION INDEBTEDNESS<sup>(2)</sup></b>						<b>\$27,189</b>
<b>TOTAL OUTSTANDING AND UNISSUED GENERAL OBLIGATION INDEBTEDNESS</b>						<b>\$46,945</b>
<b>TOTAL OF ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT</b>						<b>\$5,184,756</b>
<b>TOTAL OF ALL OUTSTANDING AND UNISSUED DIRECT AND OVERLAPPING INDEBTEDNESS</b>						<b>\$11,112,189</b>

**IV. Ratios to Appraised Valuation**

Outstanding Land Secured Bonded Debt	6.30:1
Total Outstanding Bonded Debt	6.28:1

(1) Based on Appraisal Report as of the Date of Value.

(2) Spicer Consulting Group is not aware of any additional bonded debt for parcels in CFD No. 2006-1 IA EE for the referenced Fiscal Year 2018-19. Issued, Outstanding and Authorized Amounts are for Improvement Area EE.

(3) Amount includes \$5,165,000 Special Tax Revenue Bonds Series 2017.

(4) All parcels have subdivided into 181 individual parcels for Fiscal Year 2018-19 for Improvement Area EE. As of the Date of Value, 122 parcels are Developed Property and 59 parcels are considered as Approved Property per the Rate and Method of Apportionment.

Source: Special Tax Consultant.

### **Estimated Appraised Value-To-Lien Ratios**

The total appraised value of the property within Improvement Area EE is \$32,555,974. The estimated appraised value-to-lien ratio for such property based on the appraised values and the principal amount of the Bonds (there is currently no outstanding overlapping land-secured debt) is 6.28:1.

Tables 3 and 4 below set forth the estimated appraised value-to-lien ratios for parcels within Improvement Area EE subject to a projected Special Tax levy based upon each parcel's share of the Maximum Special Tax and overlapping land-secured debt. Table 3 covers all of the parcels of Taxable Property in Improvement Area EE; Table 4 only covers the parcels of Developed Property. Please note that the ownership information presented in the following tables is current as of September 1, 2017; ownership information as of October 6, 2017 is presented elsewhere in this Official Statement.

Information is presented based on a hypothetical fiscal year 2018-19 special tax levy assuming no additional homes are conveyed to homebuyers because the City levied special taxes in fiscal year 2017-18 on only a handful of properties in Improvement Area EE and most of the interest on the Bonds is capitalized from proceeds of the Bonds through September 1, 2018.

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**TABLE 3**  
**CITY OF LAKE ELSINORE**  
**COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY)**  
**(IMPROVEMENT AREA EE)**  
**ESTIMATED APPRAISED VALUE-TO-LIEN RATIOS ALLOCATED BY PROPERTY TYPE**

<b>Property Classification</b>	<b>No. of Parcels</b>	<b>Appraised Property Value<sup>(4)</sup></b>	<b>% of Appraised Value</b>	<b>Maximum Tax</b>	<b>% of Maximum Tax</b>	<b>Estimated FY 2018-19 Levy<sup>(5)</sup></b>	<b>% of Estimated FY 2018-19 Levy</b>	<b>CFD 2006-1 IA EE Proposed 2017 Bonds<sup>(6)</sup></b>	<b>Appraised Value- to- Lien Ratio*</b>
<b><i>Developed Property</i></b>									
Individual Owned	38	\$13,495,806	41.45%	\$80,485	20.27%	\$53,193	21.93%	\$1,132,461	11.92:1
Woodside Owned <sup>(1)</sup>	25	3,718,374	11.42	55,167	13.90	38,079	15.70	810,683	4.59:1
Beazer Owned <sup>(2)</sup>	23	4,407,384	13.54	46,196	11.64	29,409	12.12	626,096	7.04:1
CalAtlantic Owned <sup>(3)</sup>	36	4,315,119	13.25	83,574	21.05	62,332	25.69	1,327,026	3.25:1
Subtotal Developed	<b>122</b>	<b>\$25,936,682</b>	<b>79.67%</b>	<b>\$265,423</b>	<b>66.86%</b>	<b>\$183,013</b>	<b>75.44%</b>	<b>\$3,896,266</b>	<b>6.66:1</b>
<b><i>Approved Property</i></b>									
Woodside Owned	13	\$1,502,410	4.61%	\$30,483	7.68%	\$13,809	5.69%	\$293,991	5.11:1
Beazer Owned	23	2,360,000	7.25	46,469	11.71	21,051	8.68	448,173	5.27:1
CalAtlantic Owned	23	2,756,881	8.47	54,598	13.75	24,734	10.19	526,570	5.24:1
Subtotal Approved	<b>59</b>	<b>\$6,619,292</b>	<b>20.33%</b>	<b>\$131,550</b>	<b>33.14%</b>	<b>\$59,594</b>	<b>24.56%</b>	<b>\$1,268,734</b>	<b>5.22:1</b>
Total	<b>181</b>	<b>\$32,555,974</b>	<b>100.00%</b>	<b>\$396,973</b>	<b>100.00%</b>	<b>\$242,608</b>	<b>100.00%</b>	<b>\$5,165,000</b>	<b>6.30:1</b>

\* Preliminary; subject to change.

(1) Reflects Appraised Value for 17 Homes Under Construction, 3 Model Homes, 1 Home over 95% Complete, and 4 Finished Lots for Woodside Homes which have building permits issued and are thus considered developed per the RMA.

(2) Reflects Appraised Value for 6 Homes Under Construction, 3 Model Homes, 9 Homes over 95% Complete, and 5 Finished Lots for Beazer Homes which have building permits issued and are thus considered developed per the RMA.

(3) Reflects Appraised Value for 33 Homes Under Construction and 3 Finished Lots for CalAtlantic which have building permits issued and are thus considered developed per the RMA.

(4) Reflects the appraised value based on ownership status as of the Date of Value.

(5) Estimated Fiscal Year 2018-19 Special Tax Levy based upon development status as of the Date of Value and preliminary debt service with administration of \$20,000.

(6) Includes the principal amount of the 2017 Series Bonds. Responsibility for the principal amount of the 2017 Series Bonds has been allocated based on the projected Fiscal Year 2018-19 Special Tax levy based on development status in Improvement Area EE as of the Date of Value.

Source: Special Tax Consultant.

**TABLE 4**  
**CITY OF LAKE ELSINORE**  
**COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY)**  
**(IMPROVEMENT AREA EE)**  
**VALUE-TO-LIEN STRATIFICATION**

Appraised Value-to-Lien Ratio Range	No. of Parcels of Developed Property	% of Developed Property	Appraised Value <sup>(1)</sup>	% of Appraised Value	CFD 2006-1 IA EE Estimated FY 2018-19 Levy	% Share of Estimated FY 2018-19 Levy	CFD 2006-1 IA EE Proposed 2017 Bonds <sup>(2)*</sup>	% Share of Proposed 2017 Bonds*	Aggregate Value-to-Lien*
Less than 3.00:1 <sup>(3)</sup>	13	10.66%	\$1,558,237	6.01%	\$25,894	14.15%	\$551,263	14.15%	2.83:1
Between 3.01:1 to 6.00:1	55	45.08	6,312,547	24.34	82,192	44.91	1,749,829	44.91	3.61:1
Between 6.01:1 to 9.00:1	0	0.00	0	0.00	0	0.00	0	0.00	N/A
Between 9.01:1 to 12.00:1	37	30.33	12,313,014	47.47	53,369	29.16	1,136,203	29.16	10.84:1
Between 12.01:1 to 15.00:1 <sup>(4)</sup>	17	13.93	5,752,884	22.18	21,559	11.78	458,971	11.78	12.53:1
<b>Total</b>	<b>122</b>	<b>100.00%</b>	<b>\$25,936,682</b>	<b>100.00%</b>	<b>\$183,013</b>	<b>100.00%</b>	<b>\$3,896,266</b>	<b>100.00%</b>	<b>6.66:1</b>

\* Preliminary; subject to change.

(1) Reflects the appraised value for all developed homes as of the Date of Value.

(2) Responsibility of the par amount has been allocated based on the estimated FY 2018-19 Special Tax levy, based on development status as of September 1, 2017 and preliminary bond sizing as provided by the Underwriter.

(3) The minimum value to lien in the less than 3.00:1 category is 2.82:1.

(4) The maximum value to lien in the between 12.01 to 15.00 :1 category is 12.74 :1.

Source: Special Tax Consultant.

## Estimated Tax Burden on Single-Family Home

The following table shows a sample property tax bill for a single parcel of Taxable Property in Improvement Area EE, based on the projected fiscal year 2018-19 Special Tax levy and actual tax rates for fiscal year 2017-18 for overlapping Special Taxes and assessments. Information is presented based on the hypothetical fiscal year 2018-19 special tax levy because the City levied special taxes in fiscal year 2017-18 on only a handful of properties in Improvement Area EE and most of the interest on the Bonds is capitalized from proceeds of the Bonds through September 1, 2018.

**Table 5**  
**Fiscal Year 2018-19**  
**Sample Property Tax Bill**

	Individually Owned <sup>(2)</sup>	TR31920-9 Augusta - Woodside			TR31920-10 Willows -Beazer			TR31920-11 Monarch II -CalAtlantic			Average Parcel
Plan Type		A-1 2,100 to 2,299 S.F.	A-2 2,500 to 2,699 S.F.	A-3 2,700 to 2,899 S.F.	W-1 2,900 to 3,099 S.F.	W-2 2,700 to 2,899 S.F.	W-3 1,900 to 2,099 S.F.	1 2,500 to 2,699 S.F.	2 2,700 to 2,899 S.F.	3 3,100 to 3,299 S.F.	
CFD Tax Category											
Home Size	2,109	2,182	2,521	2,742	1,552	1,790	1,974	2,558 <sup>(4)</sup>	2,842 <sup>(4)</sup>	3,184 <sup>(4)</sup>	
Appraisal Value <sup>(1)</sup>	\$355,153	\$355,666	\$373,108	\$383,880	\$333,680	\$340,100	\$351,372	\$396,235 <sup>(5)</sup>	\$407,020 <sup>(5)</sup>	\$417,805 <sup>(5)</sup>	\$356,137
<b>Ad Valorem Property Taxes:</b>											
General Purpose	\$3,552	\$3,557	\$3,731	\$3,839	\$3,337	\$3,401	\$3,514	\$3,962	\$4,070	\$4,178	\$3,561
Metro Water West (0.00350%)	\$12	\$12	\$13	\$13	\$12	\$12	\$12	\$14	\$14	\$15	\$12
Mt. San Jacinto Community College (0.01320%)	\$47	\$47	\$49	\$51	\$44	\$45	\$46	\$52	\$54	\$55	\$47
	\$67	\$68	\$71	\$73	\$63	\$65	\$67	\$75	\$77	\$79	\$68
<b>Total General Property Taxes</b>	<b>\$3,678</b>	<b>\$3,684</b>	<b>\$3,864</b>	<b>\$3,976</b>	<b>\$3,456</b>	<b>\$3,522</b>	<b>\$3,639</b>	<b>\$4,104</b>	<b>\$4,216</b>	<b>\$4,327</b>	<b>\$3,689</b>
<b>Assessment, Special Taxes and Parcel Charges:</b>											
Flood Control Stormwater/Cleanwater/Santa Ana	4	4	4	4	4	4	4	4	4	4	4
CSA #152 Lake Elsinore Stormwater	14	14	14	14	14	14	14	14	14	14	14
City of Lake Elsinore CFD Public Safety	396	396	396	396	396	396	396	396	396	396	396
City of Lake Elsinore Citywide LLMD	25	25	25	25	25	25	25	25	25	25	25
City of Lake Elsinore LLMD No. 1, Zone 11	130	130	130	130	130	130	130	130	130	130	130
Lake Elsinore USD CFD 2006-2 IA B	907	1,097	1,193	1,193	907	907	907	1,193	1,384	1,480	1,117
Northwest Mosquito & Vector Control	8	8	8	8	8	8	8	8	8	8	8
Metro Water District Standby Charge	9	9	9	9	9	9	9	9	9	9	9
Elsinore Valley Muni Water District Standby	10	10	10	10	10	10	10	10	10	10	10
Elsinore Valley Muni Water District Regional Sewer	10	10	10	10	10	10	10	10	10	10	10
Lake Elsinore CFD 2006-1 Services	307	307	307	307	307	307	307	307	307	307	307
Lake Elsinore CFD 2006-1 IA EE Debt <sup>(3)</sup>	1,406	1,406	1,523	1,640	1,230	1,289	1,347	1,523	1,640	1,992	1,595
<b>Total Assessments &amp; Taxes</b>	<b>\$3,226</b>	<b>\$3,416</b>	<b>\$3,629</b>	<b>\$3,746</b>	<b>\$3,050</b>	<b>\$3,109</b>	<b>\$3,167</b>	<b>\$3,629</b>	<b>\$3,938</b>	<b>\$4,385</b>	<b>\$3,529</b>
Projected Total Property Tax	\$6,904	\$7,100	\$7,493	\$7,722	\$6,506	\$6,631	\$6,806	\$7,733	\$8,153	\$8,712	\$7,218
Projected Effective Tax Rate	1.94%	2.00%	2.01%	2.01%	1.95%	1.95%	1.94%	1.95%	2.00%	2.09%	2.03%

(1) Reflects the appraised value based on ownership status as of the Date of Value.

(2) TR 31920-9 and TR 31920-10 contain 38 units sold to individual property owners. The average appraised value and square footage for individually owned units is included.

(3) Reflects estimated Fiscal Year 2018-19 Special Tax levy based on development as of September 15, 2017 and includes priority Administrative Expenses in the amount of \$20,000.

(4) Reflects minimum estimated square footage for each plan type. These plans were not valued as part of the appraisal as they were not complete.

(5) Reflects estimated asking price of the various plans offered. These plans were not valued as part of the appraisal as they were not complete.

Source: Special Tax Consultant.

## Concentration of Taxpayers

Based on the ownership and development status of the taxable property within Improvement Area EE as of the Date of Value (and assuming no further development or sales to individual homeowners including homes currently in escrow), the estimated Special Tax levy required for fiscal year 2018-19 would result in approximately 22.02% of the Special Taxes securing the Bonds being paid by individual homeowners and approximately 21.30%, 20.80% and 35.88% being paid by Woodside, Beazer and CalAtlantic respectively.

Until the construction and sale of all homes to individual homeowners, the receipt of the Special Taxes in an amount sufficient to pay debt service on the Bonds is dependent, in part, on the willingness and the ability of Woodside, Beazer and CalAtlantic, or their successors to pay the Special Taxes when due. See the caption “SPECIAL RISK FACTORS—Concentration of Property Ownership” for a description of the risks associated with a concentration of ownership within.

## Property Tax Delinquencies

There are no property tax delinquencies in Improvement Area EE because property taxes were not levied prior to fiscal year 2017-18[Confirm].

## CURRENT AND PROPOSED DEVELOPMENT OF PROPERTY WITHIN IMPROVEMENT AREA EE

*The information about the property in Improvement Area EE contained in this section of the Official Statement has been provided by representatives of Woodside, Beazer and CalAtlantic, and others, and has not been independently confirmed or verified by the Underwriter, the City or the District. The Underwriter, the City, and the District make no representation as to the accuracy or adequacy of the information contained in this section. There may be material adverse changes in this information after the date of this Official Statement. Neither the Bonds nor the Net Taxes securing the Bonds, or any bonds issued to refund the foregoing are personal obligations of Woodside, Beazer and CalAtlantic, or any affiliate thereof or any other property owner and, in the event that any property owner defaults in the payment of its Special Taxes, the District may proceed with judicial foreclosure of the delinquent property but has no direct recourse to the assets of any property owner or any affiliate thereof. The Bonds are secured solely by the Net Taxes collected from the annual Special Tax levy and other amounts pledged under the Indenture. See the captions “SOURCES OF PAYMENT FOR THE BONDS” and “SPECIAL RISK FACTORS.”*

## Development by Woodside

**Woodside.** As previously defined in this Official Statement, “Woodside” refers to Woodside 05S, LP, a California limited partnership. Woodside is wholly owned by Woodside Group, LLC, a Nevada limited liability company (“**Woodside Group**”), directly or through its wholly owned subsidiaries. Woodside is owned 99% directly by Woodside Group, as a limited partner. The remaining 1% interest is owned by WDS GP, Inc., a California corporation, as its general partner, which is wholly owned by Woodside Homes of California, Inc., a California corporation, which in turn is wholly owned by Woodside Group. The parent of Woodside Group is Woodside Homes Company, LLC, a Delaware limited liability company.

Woodside Group and its subsidiaries were reorganized effective December 31, 2009, under Chapter 11 of the U.S. Bankruptcy Code, following the bankruptcy petitions that were filed on or about August 20, 2008, in the United States Bankruptcy Court for the Central District of California (Riverside Division). The bankruptcy cases for the reorganized Woodside Group entities were closed in August 2011. As of that date, pre-bankruptcy liability related to these entities had all been resolved, settled, or discharged in the bankruptcy process. Upon emergence from bankruptcy on December 31, 2009, the parent of Woodside Group became PH Holdings, LLC, a Delaware limited liability company, which later changed its name to Woodside Homes Company, LLC.

Woodside Group's subsidiaries engage in the design, construction and sale of single-family homes under the brand name of "Woodside Homes." Woodside Homes is one of America's top 30 homebuilders having built more than 40,000 homes across the US, with current operations in Arizona, California, Nevada, Texas and Utah.

On February 28, 2017, Sekisui House, Ltd. ("**Sekisui House**"), acquired all of the membership interests in Woodside Homes Company, LLC pursuant to a Merger Agreement, dated February 27, 2017, by and between Sekisui House and Woodside Homes Company, LLC (the "**Merger Agreement**"). Pursuant to the Merger Agreement, SH Residential Holdings, LLC, a subsidiary of Sekisui House US Holdings, LLC, which is a wholly owned subsidiary of Sekisui House, completed the merger of Crayon Special Vehicle-I, LLC, a wholly owned subsidiary of SH Residential Holdings, LLC and Woodside Homes Company, LLC (the "**Merger**"), with Woodside Homes Company, LLC being the surviving entity. Immediately following the Merger, Woodside Homes Company, LLC became a wholly owned subsidiary of SH Residential Holdings, LLC. In addition, North America Sekisui House, LLC, a wholly owned subsidiary of Sekisui House, became a wholly owned subsidiary of Sekisui House US Holdings, LLC.

**General Description of Development.** Woodside acquired 59 residential lots within Improvement Area EE from McMillin on January 8, 2016, for \$3,234,000. Woodside's planned development within Improvement Area EE is the construction of 59 single-family detached homes in a neighborhood called "Augusta," and the sale of such homes to individual homebuyers.

A summary of property development and ownership in Augusta as of October 6, 2017, is set forth below:

<u>Category</u>	<u>Number</u>
Completed homes - Conveyed to home buyers	22
Homes over 95% complete- Owned by Woodside	3*
Homes under 95% complete - Owned by Woodside	17**
Finished lots	<u>17</u>
<b>Total</b>	<b>59</b>

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\*These homes are model homes

\*\*13 of these homes are in escrow. Homes in escrow may not result in closed escrows as sales contracts are subject to cancellation.

As of October 6, 2017, Woodside owned 3 completed model homes, 17 homes under construction (13 of which are in escrow) and 17 finished lots. Homes in escrow may not result in closed escrows as sales contracts are subject to cancellation. Woodside expects to complete



construction of the [37] remaining homes proposed to be constructed by Woodside within the Augusta neighborhood by the \_\_\_\_\_ quarter of 20\_\_\_\_, and convey all such homes to individual homeowners shortly thereafter.

Woodside's proposed product mix within Improvement Area EE includes three floor plans ranging in size from approximately 2,128 square feet to approximately 2,742 square feet, with estimated base sales prices as of August 11, 2017 ranging from approximately \$364,990 to approximately \$393,990. Base sales prices exclude options, upgrades, lot premiums and any incentives being offered. There can be no assurance that actual base sales prices of the remaining homes will equal or exceed the base sales prices set forth above.

*There can be no assurance that Woodside's development plan described in this Official Statement will be completed or that the development plan will not be modified in the future. Additionally, there can be no assurances of the absorption rate of the homes remaining to be built and sold. In changing market conditions, builders will often revise their product lines and prices and the rate of sales can fluctuate. Woodside continuously evaluates its product lines and prices in light of the then current market conditions. See "SPECIAL RISK FACTORS" herein for a discussion of risk factors.*

**Financing Plan.** All infrastructure facilities serving Woodside's Augusta project in Improvement Area EE have been completed. As of the Date of Value, within the Augusta project, Woodside expects to spend approximately \$358,340 in additional site development costs (inclusive of the payment of impact and permit fees totaling approximately \$106,970 and site improvement costs totaling approximately \$251,370) and approximately \$\_\_\_\_\_ in additional direct home construction costs until full build-out of the homes proposed to be constructed therein (exclusive of internal financing repayment, sales and marketing, corporate overhead and other carrying costs).

To date, Woodside has financed its land acquisition costs (\$3,234,000) and various site development and home construction costs related to its property in Improvement Area EE through internal funding, including cash generated from its homebuilding operations and advances from affiliates of its ultimate parent, Woodside Homes Company, LLC. Woodside Homes Company, LLC has a \$330 million unsecured term loan (the "**Woodside Term Loan**"). Woodside Homes Company, LLC also has an unsecured revolving credit facility with current borrowing capacity as of June 1, 2017 of \$120 million, subject to a borrowing base (the "**Woodside Credit Facility**").

Woodside intends to use these same sources to finance the remaining site development costs, home construction costs, and carrying costs for its development in Improvement Area EE (including property taxes and the Special Taxes) until full sell-out of its planned single-family detached homes in Improvement Area EE.

*Although Woodside expects to have sufficient funds available to complete its development activities in Improvement Area EE in accordance with the development schedule described in this Official Statement, there can be no assurance that amounts necessary to finance the remaining site development and home construction costs will be available from Woodside or any other source when needed. While affiliates of Woodside have made such internal financing available in the past, there can be no assurance whatsoever of their willingness or ability to do so in the future. Neither Woodside nor any of its affiliates has any legal obligation of any kind to make any such funds available or to obtain loans.*

*If and to the extent that internal funding, including but not limited to home sales revenues, and borrowings under the Revolving Facility are inadequate to pay the costs to complete the planned development by Woodside within Improvement Area EE and other financing by Woodside is not put into place, there could be a shortfall in the funds required to complete the proposed development by Woodside in Improvement Area EE or to pay ad valorem property taxes or Special Taxes related to Woodside's property in Improvement Area EE and portions of the project may not be developed. Many factors beyond Woodside's control, or a decision by Woodside to alter its current plans, may cause the actual sources and uses to differ from the projections. See "SPECIAL RISK FACTORS" herein for a discussion of risk factors.*

[Woodside is current on its payment of ad valorem property taxes and the Special Taxes for the property that it owns in Improvement Area EE.][CONFIRM]

Based on the ownership information and development status as of the Date of Value within Improvement Area EE, the Special Tax Consultant reports that Woodside would be responsible for approximately 21.30% of the projected fiscal year 2018-19 levy of Special Taxes within Improvement Area EE.

***History of Woodside's Property Tax Payments; Loan Defaults; Litigation; Bankruptcy.*** In connection with the issuance of the Bonds, an officer or authorized representative of Woodside will execute a certificate on behalf of such entity containing the following representations, among others (capitalized terms used in the following summary but not previously defined have the meanings given them below):

1. Except as described in this Official Statement, there are no material loans outstanding and unpaid and no material lines of credit of Woodside or its Affiliates (defined below), that are secured by an interest in the Property (defined below). Neither Woodside nor, to the Actual Knowledge of Woodside (defined below), any of its Affiliates is currently in material default on any loans, lines of credit or other obligation related to the development of the Property or any other project which default is reasonably likely to materially and adversely affect Woodside's ability to develop the Property as described in this Official Statement or to pay the Special Taxes due with respect to the Property prior to delinquency [or to perform its obligations under its Developer Continuing Disclosure Certificate].

2. Except as described in this Official Statement, no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, regulatory agency, or public board or body is pending against Woodside (with proper service of process to Woodside having been accomplished) or, to the Actual Knowledge of Woodside, is pending against any current Affiliate (with proper service of process to such Affiliate having been accomplished) or to the Actual Knowledge of Woodside is threatened in writing against Woodside or any such Affiliate (a) to restrain or enjoin the collection of Special Taxes or other sums pledged or to be pledged to pay the principal of and interest on the Bonds (e.g., the Reserve Account of the Special Tax Fund established under the Indenture), (b) [to restrain or enjoin the execution by Woodside of its Developer Continuing Disclosure Certificate and performance by Woodside of its obligations thereunder, (c)] to restrain or enjoin the development of the Property as described in this Official Statement, (d) in any way contesting or affecting the validity of the Special Taxes, or (e) which is reasonably likely to materially and adversely affect Woodside's ability to complete the development and sale of the Property as described in this Official Statement or to pay the Special Taxes due with respect to the Property.

3. As a subsidiary of a large, nation-wide developer of residential projects, Woodside cannot represent with assurance that neither it nor any Affiliate has ever been delinquent in the payment of *ad valorem* property taxes, special taxes or special assessments or special taxes. However, to the Actual Knowledge of Woodside, during the last five years, neither Woodside nor any Affiliate has, during the period of its ownership, been delinquent to any material extent in the payment of any *ad valorem* property tax, special assessment or special tax on property included within the boundaries of a community facilities district or an assessment district in California that (a) caused a draw on a reserve fund relating to such assessment district or community facilities district financing or (b) resulted in a foreclosure action being commenced against the delinquent Woodside or Affiliate.

4. To the Actual Knowledge of Woodside, Woodside is able to pay its bills as they become due and no legal proceedings are pending against Woodside (with proper service of process having been accomplished) or, to the Actual Knowledge of Woodside, threatened in writing in which Woodside may be adjudicated as bankrupt or discharged from any and all of its debts or obligations, or granted an extension of time to pay its debts or obligations, or be allowed to reorganize or readjust its debts, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

5. To the Actual Knowledge of Woodside, Affiliates of Woodside are able to pay their bills as they become due and no legal proceedings are pending against any Affiliate of Woodside (with proper service of process having been accomplished) or to the Actual Knowledge of Woodside, threatened in writing in which the Affiliates of Woodside may be adjudicated as bankrupt or discharged from any or all of their debts or obligations, or granted an extension of time to pay their debt or obligations, or be allowed to reorganize or readjust their debts or obligations, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

As used in the above representations of Woodside, the following defined terms and phrases have the following meanings:

**“Actual Knowledge of Woodside”** shall mean the knowledge that the authorized officer or representative of Woodside (the **“Authorized Officer”**) signing the certificate containing the above representations (the **“Woodside Letter of Representations”**) currently has as of the date of the Woodside Letter of Representations or has obtained through (i) interviews with such current officers and responsible employees of Woodside and its Affiliates as such Authorized Officer has determined are reasonably likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth in the Woodside Letter of Representations, and/or (ii) review of documents that were reasonably available to such Authorized Officer and which such Authorized Officer has reasonably deemed necessary for such Authorized Officer to obtain knowledge of the matters set forth in the Woodside Letter of Representations. The Authorized Officer has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of Woodside's current business and operations.

**“Affiliate”** means, with respect to Woodside, any other Person (i) who directly, or indirectly through one or more intermediaries, is currently controlling, controlled by or under common control with Woodside, and (ii) for whom information, including financial information or operating data, concerning such Person is material to potential investors in their evaluation of Improvement Area EE and investment decision regarding the Bonds (i.e., information relevant to (a) Woodside's development plans with respect to the Property and ability to pay its Special

Taxes on the Property prior to delinquency, or (b) such Person's assets or funds that would materially affect Woodside's ability to develop the Property as described in this Official Statement or to pay its Special Taxes on the Property [or (c) such Person's compliance with continuing disclosure undertakings under Rule 15c2-12 that would materially affect Woodside's ability to comply with its obligations under its Developer Continuing Disclosure Certificate].

**"Person"** means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

**"Control"** (including the terms "controlling," "controlled by" or "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

**"Property"** means the property within Improvement Area EE held in the name of Woodside.

### **Development by Beazer**

**Beazer.** As previously defined in this Official Statement, "Beazer" refers to Beazer Homes Holdings, LLC, a Delaware limited liability company. Beazer is a wholly owned subsidiary of Beazer Homes USA, Inc., a Delaware corporation ("**Beazer USA**"), a publicly traded company listed on the New York Stock Exchange under the symbol "BZH." Founded in 1985, Beazer USA is a geographically diversified homebuilder with active operations in 13 states within three geographic regions in the United States: the West, East, and Southeast.

Beazer USA is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and in accordance therewith is obligated to file reports, proxy statements, and other information, including financial statements, with the Securities and Exchange Commission (the "**SEC**"). Such filings set forth, among other things, certain data relative to the consolidated results of operations and financial position of Beazer USA and its subsidiaries (e.g. See Beazer USA's Annual Report on Form 10-K for the fiscal year ended September 30, 2016, as filed with the SEC on November 15, 2016 and Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, as filed with the SEC on August 1, 2017) as of the dates described therein. Such files can also be accessed over the Internet at the SEC's website at [www.sec.gov](http://www.sec.gov). Copies of Beazer USA's Annual Report and related financial statements, prepared in accordance with generally accepted accounting standards, are available from Beazer USA's website at [www.beazer.com](http://www.beazer.com). The SEC maintains an Internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including Beazer USA. The address of such Internet web site is [www.sec.gov](http://www.sec.gov). All documents subsequently filed by Beazer USA pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. Copies of Beazer USA's annual report, quarterly reports and current reports, including any amendments, will be available from Beazer USA's website at [www.beazer.com](http://www.beazer.com).

These Internet addresses are included for reference only, and the information on these Internet sites is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on these Internet sites.

**General Description of Development.** Beazer acquired 63 residential lots within Improvement Area EE from McMillin on July 27, 2016 for \$3,300,000. Beazer's planned development within Improvement Area EE is the construction of 63 single-family detached homes in a neighborhood called "Willows" and the sale of such homes to individual homebuyers.

A summary of property development and ownership in Willows as of October 6, 2017, is set forth below:

<u>Category</u>	<u>Number</u>
Completed homes - Conveyed to home buyers	26
Homes over 95% complete- Owned by Beazer	3 <sup>*</sup>
Homes under 95% complete - Owned by Beazer	6 <sup>**</sup>
Finished lots	28 <sup>***</sup>
<b>Total</b>	<b>63</b>

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\*These homes are model homes.

\*\*5 of these homes are in escrow. Homes in escrow may not result in closed escrows as sales contracts are subject to cancellation.

\*\*\*3 of these finished lots are in escrow. Homes in escrow may not result in closed escrows as sales contracts are subject to cancellation.

As of October 6, 2017, Beazer owned 3 model homes, 6 homes under construction (5 of which are in escrow) and 28 finished lots (3 of which are in escrow). Homes in escrow may not result in closed escrows as sales contracts are subject to cancellation. Beazer expects to complete construction of the [37] remaining homes proposed to be constructed by Beazer within the Willows neighborhood by August 2018 and convey all such homes to individual homeowners shortly thereafter.

Beazer's proposed product mix within Improvement Area EE includes 3 floor plans ranging in size from approximately 1,552 square feet to approximately 1,974 square feet, with estimated base sales prices as of August 30, 2017 ranging from approximately \$347,990 to approximately \$364,990. Base sales prices exclude options, upgrades, lot premiums and any incentives being offered. There can be no assurance that actual base sales prices of the remaining homes will equal or exceed the base sales prices set forth above.

*There can be no assurance that Beazer's development plan described in this Official Statement will be completed or that the development plan will not be modified in the future. Additionally, there can be no assurances of the absorption rate of the homes remaining to be built and sold. In changing market conditions, builders will often revise the product lines and prices and the rate of sales can fluctuate. Beazer will continuously evaluate its product lines and prices in light of the then current market conditions. See "SPECIAL RISK FACTORS" herein for a discussion of risk factors.*

**Financing Plan.** All infrastructure facilities serving the Willows project in Improvement Area EE have been completed. As of the Date of Value, within the Willows project, Beazer expects to spend approximately \$800,000 in additional site development costs (inclusive of the payment of impact and permit fees totaling approximately \$\_\_\_\_\_ and site improvement costs totaling approximately \$\_\_\_\_\_) and approximately \$2,200,000 in additional direct home construction costs until full build-out of the homes proposed to be constructed therein marketing

and sales costs (exclusive of internal financing repayment, sales and marketing, corporate overhead and other carrying costs).

To date, Beazer has financed its land acquisition costs (\$3,300,000) and various site development costs and home construction costs related to its property in Improvement Area EE through internally generated funds, which may include cash from operations, proceeds from notes and other bank borrowings, including borrowings under the credit facility described below, as well as issuance of equity securities. Beazer expects to use these sources of funds to complete development of its property within Improvement Area EE. Beazer believes that it will have sufficient funds available to complete the proposed development of its property as described in this Official Statement commensurate with the development timing described in this Official Statement.

As of June 30, 2017, Beazer USA was a party to a \$180 million secured revolving credit facility that provides for working capital and letter of credit capacity (the “**Credit Facility**”). The Credit Facility is with three lenders and matures on February 15, 2019. Subject to Beazer USA’s option to cash collateralize its obligations under the Credit Facility upon certain conditions, Beazer USA’s obligations under the Credit Facility are secured by liens on substantially all of its personal property and a significant portion of its owned real properties. Although the Credit Facility is not currently secured by the property owned by Beazer within Improvement Area EE [CONFIRM], such property may be pledged as security under the Credit Facility in the near future. The Credit Facility contains certain covenants, including negative covenants and financial maintenance covenants, with which Beazer USA is required to comply and which may limit the amount Beazer USA may borrow or have outstanding at any time. As of June 30, 2017, Beazer USA was in compliance with all such covenants and had \$140.1 million of available borrowings under the Credit Facility. [CORPORATE TO REVIEW AND REVISE AS NECESSARY: Beazer USA has elected to cash collateralize all letters of credit; however, as of June 30, 2017, Beazer USA has also pledged approximately \$\_\_\_\_\_ of inventory assets to the Credit Facility to collateralize potential future borrowings or letters of credit.] There were no borrowings under the Credit Facility as of June 30, 2017 or its prior fiscal year ended September 30, 2016. Beazer USA’s ability to renew the Credit Facility in the future is dependent upon a number of factors including the state of the commercial lending environment, the willingness of banks to lend to homebuilders and Beazer USA’s financial condition and strength.

*Notwithstanding the current belief of Beazer that it will have sufficient funds to complete its planned development in Improvement Area EE, no assurance can be given that sources of financing available to Beazer will be sufficient to complete the property development and home construction as currently anticipated. While Beazer has made such internal financing available in the past, there can be no assurance whatsoever of its willingness or ability to do so in the future. Neither Beazer, Beazer USA, nor any of their affiliates has any legal obligation of any kind to make any such funds available or to obtain loans. Other than pointing out the willingness of Beazer to provide internal financing in the past, Beazer has not represented in any way that it will do so in the future.*

*If and to the extent that internal financing or sales revenues are inadequate to pay the costs to complete Beazer’s planned development within Improvement Area EE and other financing by Beazer or its affiliates is not put into place, there could be a shortfall in the funds required to complete the remaining development by Beazer or to pay ad valorem property taxes or Special Taxes related to Beazer’s property in Improvement Area EE and portions of the project may not be developed. Many factors beyond Beazer’s control, or a decision by Beazer*

*to alter its current plans, may cause the actual sources and uses to differ from the projections. See "SPECIAL RISK FACTORS" herein for a discussion of risk factors.*

[Beazer is current on its payment of ad valorem property taxes and the Special Taxes for the property that it owns in Improvement Area EE][Confirm].

Based on the ownership information and development status as of the Date of Value within Improvement Area EE, the Special Tax Consultant reports that Beazer would be responsible for approximately 20.80% of the projected fiscal year 2018-19 levy of Special Taxes within Improvement Area EE.

***History of Beazer's Property Tax Payments; Loan Defaults; Litigation; Bankruptcy.***

In connection with the issuance of the Bonds, an officer or authorized representative of Woodside will execute a certificate on behalf of such entity containing the following representations, among others (capitalized terms used in the following summary but not previously defined have the meanings given them below):

1. Except as described in this Official Statement, there are no material loans outstanding and unpaid and no material lines of credit of Beazer or its Affiliates (defined below), that are secured by an interest in the Property (defined below). Neither Beazer nor, to the Actual Knowledge of Beazer (defined below), any of its Affiliates is currently in material default on any loans, lines of credit or other obligation related to the development of the Property or any other project which default is reasonably likely to materially and adversely affect Beazer's ability to develop the Property as described in this Official Statement or to pay the Special Taxes due with respect to the Property prior to delinquency [or to perform its obligations under its Developer Continuing Disclosure Certificate].

2. Except as described in this Official Statement, no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, regulatory agency, or public board or body is pending against Beazer (with proper service of process to Beazer having been accomplished) or, to the Actual Knowledge of Beazer, is pending against any current Affiliate (with proper service of process to such Affiliate having been accomplished) or to the Actual Knowledge of Beazer is threatened in writing against Beazer or any such Affiliate (a) to restrain or enjoin the collection of Special Taxes or other sums pledged or to be pledged to pay the principal of and interest on the Bonds (e.g., the Reserve Account of the Special Tax Fund established under the Indenture), (b) [to restrain or enjoin the execution by Beazer of its Developer Continuing Disclosure Certificate and performance by Beazer of its obligations thereunder, (c)] to restrain or enjoin the development of the Property as described in this Official Statement, (d) in any way contesting or affecting the validity of the Special Taxes, or (e) which is reasonably likely to materially and adversely affect Beazer's ability to complete the development and sale of the Property as described in this Official Statement or to pay the Special Taxes due with respect to the Property.

3. To the Actual Knowledge of Beazer, during the last five years, neither Beazer nor any Affiliate has, during the period of its ownership, been delinquent to any material extent in the payment of any *ad valorem* property tax, special assessment or special tax on property included within the boundaries of a community facilities district or an assessment district in California that (a) caused a draw on a reserve fund relating to such assessment district or community facilities district financing or (b) resulted in a foreclosure action being commenced, against the delinquent Beazer or Affiliate.

4. As a subsidiary of a large, nation-wide developer of residential projects, Beazer cannot represent with assurance that neither it nor any Affiliate has ever been delinquent in the payment of *ad valorem* property taxes, special taxes or special assessments. However, to the Actual Knowledge of Beazer, Beazer is able to pay its bills as they become due and no legal proceedings are pending against Beazer (with proper service of process having been accomplished) or, to the Actual Knowledge of Beazer, threatened in writing in which Beazer may be adjudicated as bankrupt or discharged from any and all of its debts or obligations, or granted an extension of time to pay its debts or obligations, or be allowed to reorganize or readjust its debts, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

5. To the Actual Knowledge of Beazer, Affiliates of Beazer are able to pay their bills as they become due and no legal proceedings are pending against any Affiliate of Beazer (with proper service of process having been accomplished) or to the Actual Knowledge of Beazer, threatened in writing in which the Affiliates of Beazer may be adjudicated as bankrupt or discharged from any or all of their debts or obligations, or granted an extension of time to pay their debt or obligations, or be allowed to reorganize or readjust their debts or obligations, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

As used in the above representations of Beazer, the following defined terms and phrases have the following meanings:

**“Actual Knowledge of Beazer”** shall mean the knowledge that the authorized officer or representative of Beazer (the **“Authorized Officer”**) signing the certificate containing the above representations (the **“Beazer Letter of Representations”**) currently has as of the date of the Beazer Letter of Representations or has obtained through (i) interviews with such current officers and responsible employees of Beazer and its Affiliates as such Authorized Officer has determined are reasonably likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth in the Beazer Letter of Representations, and/or (ii) review of documents that were reasonably available to such Authorized Officer and which such Authorized Officer has reasonably deemed necessary for such Authorized Officer to obtain knowledge of the matters set forth in the Beazer Letter of Representations. The Authorized Officer has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of Beazer’s current business and operations.

**“Affiliate”** means, with respect to Beazer, any other Person (i) who directly, or indirectly through one or more intermediaries, is currently controlling, controlled by or under common control with Beazer, and (ii) for whom information, including financial information or operating data, concerning such Person is material to potential investors in their evaluation of Improvement Area EE and investment decision regarding the Bonds (i.e., information relevant to (a) Beazer’s development plans with respect to the Property and ability to pay its Special Taxes on the Property prior to delinquency, or (b) such Person’s assets or funds that would materially affect Beazer’s ability to develop the Property as described in this Official Statement or to pay its Special Taxes on the Property [or (c) such Person’s compliance with continuing disclosure undertakings under Rule 15c2-12 that would materially affect Beazer’s ability to comply with its obligations under its Developer Continuing Disclosure Certificate]).

**“Person”** means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.



**“Control”** (including the terms “controlling,” “controlled by” or “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

**“Actual Knowledge of Beazer”** means the knowledge that the authorized officer or representative of Beazer (the **“Authorized Officer”**) signing the certificate containing the above representations (the **“Beazer Letter of Representations”**) currently has as of the date of the Beazer Letter of Representations or has obtained through (i) interviews with such current officers and responsible employees of Beazer and its Affiliates as such Authorized Officer has determined are reasonably likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth in the Beazer Letter of Representations, and/or (ii) review of documents that were reasonably available to such Authorized Officer and which such Authorized Officer has reasonably deemed necessary for such Authorized Officer to obtain knowledge of the matters set forth in the Beazer Letter of Representations. The Authorized Officer has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of Beazer’s current business and operations. Individuals who are no longer employees of Beazer and its Affiliates have not been contacted.

**“Property”** means the property within Improvement Area EE held in the name of Beazer.

## **Development by CalAtlantic**

**CalAtlantic.** As previously defined in this Official Statement, “CalAtlantic” refers to CalAtlantic Group, Inc., a Delaware Corporation, which is a homebuilder incorporated in Delaware in 1991 with principal executive offices located in Irvine, California. CalAtlantic is a publicly traded company with its stock listed on the New York Stock Exchange under the symbol “CAA.”

The development of the Monarch Grove II project within Improvement Area EE is currently being undertaken by the Inland Empire Division of CalAtlantic.

CalAtlantic is subject to the informational requirements of the Exchange Act, and in accordance therewith is obligated to file reports, proxy statements, and other information, including financial statements, with the SEC. Such filings, including CalAtlantic’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as filed with the SEC on February 28, 2017 and Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, as filed with the SEC on October \_\_, 2017, set forth certain data relative to the consolidated results of operations and financial position of CalAtlantic and its subsidiaries as of such dates. The SEC maintains an Internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including CalAtlantic. The address of such Internet web site is [www.sec.gov](http://www.sec.gov). All documents subsequently filed by CalAtlantic pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. Copies of CalAtlantic’s annual report, quarterly reports and current reports, including any amendments, are also available from CalAtlantic’s website at [www.calatlantichomes.com](http://www.calatlantichomes.com).

*The foregoing Internet addresses and references to filings with the SEC are included for reference only, and the information on such Internet sites and on file with the SEC are not a part of this Official Statement and are not incorporated by reference into this Official Statement. No*

*representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such internet sites.*

**General Description of Development.** CalAtlantic acquired 59 residential lots within Improvement Area EE from McMillin on September 2, 2016 for \$3,000,000. CalAtlantic's planned development within Improvement Area EE is the construction of 59 single family detached homes in a neighborhood called "Monarch Grove II," and the sale of such homes to individual homebuyers.

A summary of property development and ownership in Monarch Grove II as of October 6, 2017, is set forth below:

<u>Category</u>	<u>Number</u>
Homes under 95% complete - Owned by CalAtlantic	33*
Finished lots	26
<b>Total</b>	<b>59</b>

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\*25 of these homes are in escrow. Homes in escrow may not result in closed escrows as sales contracts are subject to cancellation.

As of October 6, 2017, CalAtlantic had not conveyed any of the 59 proposed homes within the Monarch Grove II neighborhood to individual homeowners. However, of the 33 homes under construction as of the Date of value, 25 were in escrow, with the first home closings expected to occur in October 2017. Homes in escrow may not result in closed escrows as sales contracts are subject to cancellation. CalAtlantic expects to complete construction of the 59 homes proposed to be constructed by CalAtlantic within the Monarch Grove II neighborhood by the \_\_\_\_\_ quarter of 20\_\_, and convey all such homes to individual homeowners shortly thereafter.

CalAtlantic's proposed product mix within Improvement Area EE includes three floor plans ranging in size from approximately 2,558 square feet to approximately 3,402 square feet, with estimated base sales prices as of September 1, 2017 ranging from approximately \$396,235 to approximately \$417,805. Base sales prices exclude options, upgrades, lot premiums and any incentives being offered. There can be no assurance that actual base sales prices of the homes will equal or exceed the base sales prices set forth above.

*There can be no assurance that CalAtlantic's development plan described in this Official Statement will be completed or that the development plan will not be modified in the future. Additionally, there can be no assurances of the absorption rate of the homes to be built and sold. In changing market conditions, builders will often revise their product lines and prices and the rate of sales can fluctuate. CalAtlantic continuously evaluates its product lines and prices in light of the then current market conditions. See "SPECIAL RISK FACTORS" herein for a discussion of risk factors.*

**Financing Plan.** All infrastructure facilities serving CalAtlantic's Monarch Grove II project in Improvement Area EE have been completed. As of the Date of Value, within the Monarch Grove II project, CalAtlantic expects to spend approximately \$480,000 in additional site development costs (inclusive of the payment of impact and permit fees totaling approximately \$\_\_\_\_\_ and site improvement costs totaling approximately \$\_\_\_\_\_) and approximately \$\_\_\_\_\_ in additional direct home construction costs until full build-out of the

homes proposed to be constructed therein (exclusive of internal financing repayment, sales and marketing, corporate overhead and other carrying costs).

To date, CalAtlantic has financed its land acquisition costs (\$3,000,000) and various site development and home construction costs related to its property in Improvement Area EE through internally generated funds. CalAtlantic expects to use home sales, internal funding and funding under CalAtlantic's revolving credit facility (described below) to complete its development activities in Improvement Area EE. However, home sales revenue from CalAtlantic's project in Improvement Area EE will not be segregated and set aside for the payment of costs required to complete its activities in Improvement Area EE. Home sales revenue from all projects is accumulated and used to pay costs of operations for CalAtlantic and its subsidiaries, to pay debt service on outstanding debt and for other corporate purposes, and may be diverted to pay costs other than the costs of completing CalAtlantic's activities in Improvement Area EE at the discretion of CalAtlantic's management. Notwithstanding the foregoing, CalAtlantic believes that it will have sufficient funds available to complete its proposed development activities in Improvement Area EE, commensurate with the development timing described in this Official Statement.

As of June 30, 2017, CalAtlantic was party to a \$750 million unsecured revolving credit facility (the "**Revolving Facility**"), which matures in October 2019. The Revolving Facility is not secured by CalAtlantic's property in Improvement Area EE. The Revolving Facility has an accordion feature under which the aggregate commitment may be increased up to \$1.2 billion, subject to the availability of additional bank commitments and certain other conditions. The Revolving Facility contains certain covenants and conditions that may limit the amount that CalAtlantic may borrow or have outstanding at any time. As of June 30, 2017, CalAtlantic had no amounts outstanding under the Revolving Facility and had outstanding letters of credit issued under the Revolving Facility totaling \$94.7 million, leaving \$655.3 million available under the Revolving Facility to be drawn as of such date. CalAtlantic's ability to renew the Revolving Facility in the future is dependent upon a number of factors including the state of the commercial lending environment, the willingness of banks to lend to homebuilders and CalAtlantic's financial condition and strength.

*Although CalAtlantic expects to have sufficient funds available to complete its development activities in Improvement Area EE in accordance with the development timing described in this Official Statement, there can be no assurance, however, that amounts necessary to finance the remaining development and home construction costs will be available from CalAtlantic or any other source when needed. For example, borrowings under the Revolving Facility may not be available, and home sales revenue, which is accumulated daily for use in operations by CalAtlantic, including to fund costs of other direct and indirect subsidiaries, to pay debt service on outstanding debt and for other corporate purposes, may be diverted to pay costs other than the costs of completing CalAtlantic's activities in Improvement Area EE at the discretion of CalAtlantic's management. CalAtlantic, its lenders, or any of their related entities are not under any legal obligation of any kind to expend funds for the development of and construction of homes on CalAtlantic's property in Improvement Area EE. Any contributions by CalAtlantic to fund the costs of such development and home construction are entirely voluntary.*

*If and to the extent that internal funding, including but not limited to home sales revenues, and borrowings under the Revolving Facility are inadequate to pay the costs to complete the planned development by CalAtlantic within Improvement Area EE and other financing by CalAtlantic is not put into place, there could be a shortfall in the funds required to*

*complete the proposed development by CalAtlantic in Improvement Area EE and the remaining portions of the development may not be developed.*

CalAtlantic is current on its payment of ad valorem property taxes and the Special Taxes for the property that it owns in Improvement Area EE.

Based on the ownership information and development status as of the Date of Value within Improvement Area EE, the Special Tax Consultant reports that CalAtlantic would be responsible for approximately 35.88% of the projected fiscal year 2018-19 levy of Special Taxes within Improvement Area EE.

***History of CalAtlantic's Property Tax Payments; Loan Defaults; Litigation; Bankruptcy.*** In connection with the issuance of the Bonds, an officer or authorized representative of CalAtlantic will execute a certificate on behalf of such entity containing the following representations, among others (capitalized terms used in the following summary but not previously defined have the meanings given them below):

1. Except as described in this Official Statement, there are no material loans outstanding and unpaid and no material lines of credit of CalAtlantic or its Affiliates (defined below), that are secured by an interest in the Property (defined below). Neither CalAtlantic nor, to the Actual Knowledge of CalAtlantic (defined below), any of its Affiliates is currently in material default on any loans, lines of credit or other obligation related to the development of the Property or any other project which default is reasonably likely to materially and adversely affect CalAtlantic's ability to develop the Property as described in this Official Statement or to pay the Special Taxes due with respect to the Property prior to delinquency or to perform its obligations under its Developer Continuing Disclosure Certificate.

2. Except as described in this Official Statement, no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, regulatory agency, or public board or body is pending against CalAtlantic (with proper service of process to CalAtlantic having been accomplished) or, to the Actual Knowledge of CalAtlantic, is pending against any current Affiliate (with proper service of process to such Affiliate having been accomplished) or to the Actual Knowledge of CalAtlantic is threatened in writing against CalAtlantic or any such Affiliate (a) to restrain or enjoin the collection of Special Taxes or other sums pledged or to be pledged to pay the principal of and interest on the Bonds (e.g., the Reserve Account of the Special Tax Fund established under the Indenture), (b) to restrain or enjoin the execution by CalAtlantic of its Developer Continuing Disclosure Certificate and performance by CalAtlantic of its obligations thereunder, (c) to restrain or enjoin the development of the Property as described in this Official Statement, (d) in any way contesting or affecting the validity of the Special Taxes, or (e) which is reasonably likely to materially and adversely affect CalAtlantic's ability to complete the development and sale of the Property as described in this Official Statement or to pay the Special Taxes due with respect to the Property.

3. As a large, nation-wide developer of residential projects, CalAtlantic cannot represent with assurance that neither it nor any Affiliate has ever been delinquent in the payment of *ad valorem* property taxes, special taxes or special assessments. However, to the Actual Knowledge of CalAtlantic, during the last five years, neither CalAtlantic nor any Affiliate has, during the period of its ownership, been delinquent to any material extent in the payment of any *ad valorem* property tax, special assessment or special tax on property included within the boundaries of a community facilities district or an assessment district in California that (a) caused a draw on a reserve fund relating to such assessment district or community facilities

district financing or (b) resulted in a foreclosure action being commenced, against the delinquent CalAtlantic or Affiliate.

4. To the Actual Knowledge of CalAtlantic, CalAtlantic is able to pay its bills as they become due and no legal proceedings are pending against CalAtlantic (with proper service of process having been accomplished) or, to the Actual Knowledge of CalAtlantic, threatened in writing in which CalAtlantic may be adjudicated as bankrupt or discharged from any and all of its debts or obligations, or granted an extension of time to pay its debts or obligations, or be allowed to reorganize or readjust its debts, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

5. To the Actual Knowledge of CalAtlantic, Affiliates of CalAtlantic are able to pay their bills as they become due and no legal proceedings are pending against any Affiliate of CalAtlantic (with proper service of process having been accomplished) or to the Actual Knowledge of CalAtlantic, threatened in writing in which the Affiliates of CalAtlantic may be adjudicated as bankrupt or discharged from any or all of their debts or obligations, or granted an extension of time to pay their debt or obligations, or be allowed to reorganize or readjust their debts or obligations, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

As used in the above representations of CalAtlantic, the following defined terms and phrases have the following meanings:

**“Actual Knowledge of CalAtlantic”** shall mean the knowledge that the authorized officer or representative of CalAtlantic (the **“Authorized Officer”**) signing the certificate containing the above representations (the **“CalAtlantic Letter of Representations”**) currently has as of the date of the CalAtlantic Letter of Representations or has obtained through (i) interviews with such current officers and responsible employees of CalAtlantic and its Affiliates as such Authorized Officer has determined are reasonably likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth in the CalAtlantic Letter of Representations, and/or (ii) review of documents that were reasonably available to such Authorized Officer and which such Authorized Officer has reasonably deemed necessary for such Authorized Officer to obtain knowledge of the matters set forth in the CalAtlantic Letter of Representations. The Authorized Officer has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of CalAtlantic’s current business and operations. CalAtlantic notes that it underwent a restructuring in 2011, which included new personnel, office closures and employee layoffs at all levels of management and staff. Individuals who are no longer employees of CalAtlantic have not been contacted. CalAtlantic further notes that on October 1, 2015, it completed a merger with The Ryland Group, Inc., a Maryland corporation (**“Ryland Group”**), pursuant to which Ryland Group merged with and into CalAtlantic, with CalAtlantic being the surviving entity. Individuals who were employees and officers of Ryland Group and its subsidiaries prior to the merger have not been consulted or contacted (and are not expected to be responsible for CalAtlantic’s development of the Property or payment of its Special Taxes) and documents entered into by Ryland and its subsidiaries or related to their properties and projects have not been reviewed.

**“Affiliate”** means, with respect to CalAtlantic, any other Person (i) who directly, or indirectly through one or more intermediaries, is currently controlling, controlled by or under common control with CalAtlantic, and (ii) for whom information, including financial information or operating data, concerning such Person is material to potential investors in their evaluation of

Improvement Area EE and investment decision regarding the Bonds (i.e., information relevant to (a) CalAtlantic's development plans with respect to the Property and ability to pay its Special Taxes on the Property prior to delinquency, or (b) such Person's assets or funds that would materially affect CalAtlantic's ability to develop the Property as described in this Official Statement or to pay its Special Taxes on the Property or (c) such Person's compliance with continuing disclosure undertakings under Rule 15c2-12 that would materially affect CalAtlantic's ability to comply with its obligations under its Developer Continuing Disclosure Certificate. For purposes hereof, Affiliates shall exclude MP CA Homes, LLC and its Affiliates (other than CalAtlantic and its direct or indirect subsidiaries).

**"Person"** means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

**"Control"** (including the terms "controlling," "controlled by" or "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

**"Property"** means the property within Improvement Area EE held in the name of CalAtlantic.

## **SPECIAL RISK FACTORS**

The purchase of the Bonds involves significant risks and, therefore, the Bonds are not suitable investments for many investors. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth in this Official Statement, in evaluating the investment quality of the Bonds. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. The occurrence of one or more of the events discussed in this Official Statement could adversely affect the ability or willingness of property owners in Improvement Area EE to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed in this Official Statement could adversely affect the value of the property in Improvement Area EE. See the caption “—Appraised Value.”

### **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 property in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; and (iii) natural disasters (including, without limitation, wildfire, earthquakes and floods), which may result in uninsured losses. See the caption “—Natural Disasters.”

No assurance can be given that the individual landowners 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” for a discussion of certain limitations on the District’s ability to pursue judicial proceedings with respect to delinquent parcels.

### **Limited Obligations**

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

The District’s legal obligations with respect to any delinquent Special Taxes are limited to: (i) payments from the Reserve Account to the extent of funds on deposit therein; and (ii) the institution of judicial foreclosure proceedings under certain circumstances with respect to any parcels for which Special Taxes are delinquent. See the caption “SOURCES OF PAYMENT

FOR THE BONDS—Special Taxes—Proceeds of Foreclosure Sales.” The Bonds cannot be accelerated in the event of any default.

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

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

### **Insufficiency of Special Taxes**

The Rate and Method governing the levy of the Special Tax provides that Property Owner Association Property and/or Public Property are not subject to the Special Tax. The Rate and Method also provides for prepayment of Special Taxes. The Act provides that, if any property within Improvement Area EE not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and to be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. Due to problems of collecting taxes from public agencies, if a substantial portion of land within Improvement Area EE 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.

In the event of significant delinquencies causing a default in payment of debt service on the Bonds and depletion of all amounts on deposit in the Reserve Account, there would not be sufficient Special 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” for a discussion of potential delays in foreclosure actions.

### **Natural Disasters**

The land within Improvement Area EE, like all California communities, may be subject to unpredictable seismic activity, fires, floods or other natural disasters. The occurrence of one of the foregoing natural disasters in Improvement Area EE could result in substantial damage to properties in Improvement Area EE, which, in turn, could substantially reduce the value of such properties and could affect the ability or willingness of the property owners to pay their Special



Taxes. Any major damage to structures as a result of natural disasters could result in a greater reliance on undeveloped property in the payment of Special Taxes. See “THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA EE - Improvement Area EE - *Natural Disasters*” for a discussion of specific natural disaster risks.

### **Concentration of Property Ownership**

Based on the ownership and development status of the taxable property within Improvement Area EE as of the Date of Value (and assuming no further development or sales to individual homeowners including the homes currently in escrow), the estimated Special Tax levy required for fiscal year 2018-19 would result in approximately 22.02% of the Special Taxes securing the Bonds being paid by individual homeowners and approximately 21.30%, 20.80% and 35.88% being paid by Beazer, Woodside, and CalAtlantic, respectively.

Until the construction and sale of all homes to individual homeowners, the receipt of the Special Taxes in an amount sufficient to pay debt service on the Bonds is dependent, in part, on the willingness and the ability of Beazer, Woodside, and CalAtlantic, or their successors to pay the Special Taxes when due. Failure of Beazer, Woodside, CalAtlantic or their successors to pay the annual Special Taxes prior to delinquency could be a material factor in a default in payments of the principal of, and interest on, the Bonds, when due. See the caption “—Failure to Develop Remaining Homes.”

No assurance can be given that Beazer, Woodside, CalAtlantic, or their successors will complete the remaining construction and development in Improvement Area EE in the timeframe or for estimated costs predicted in this Official Statement or that they will complete it at all. See the caption “—Failure to Develop Remaining Homes.” No assurance can be given that the individual homeowners, Beazer, Woodside, and CalAtlantic or their successors 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” for a discussion of certain limitations on the District’s ability to pursue judicial proceedings with respect to delinquent parcels.

### **Failure to Develop Remaining Homes**

Development of property within Improvement Area EE may be subject to unexpected delays, disruptions and changes which may affect the willingness and ability of Beazer, Woodside, CalAtlantic, or any property owner to pay the Special Taxes when due. See the caption “CURRENT AND PROPOSED DEVELOPMENT OF PROPERTY WITHIN IMPROVEMENT AREA EE” for a discussion of the remaining homes to be completed and sold within Improvement Area EE.

No assurance can be given that the remaining proposed residential development will be partially or fully completed, and for purposes of evaluating the investment quality of the Bonds, prospective purchasers should consider the possibility that such parcels will remain vacant and only partially improved. See the caption “CURRENT AND PROPOSED DEVELOPMENT OF PROPERTY WITHIN IMPROVEMENT AREA EE.”

There can be no assurance that property development within Improvement Area EE will not be adversely affected by a future deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, an increase in mortgage interest rates, the income tax treatment of real property

ownership, or the national economy. In that event, there could be a default in the payment of principal of, and interest on, the Bonds, when due.

### **Hazardous Substances**

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

The Appraiser, in its Appraisal Report, assumes that there are no hazardous substances in Improvement Area EE.

The District has not independently verified, but is not aware of, the presence of any hazardous substances within Improvement Area EE. Hazardous substance liabilities may arise in the future with respect to any of the parcels within Improvement Area EE 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 and could result in substantial delays in completing planned development on parcels that are currently undeveloped.

### **Payment of the Special Tax is not a Personal Obligation of the Landowners**

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.

### **Appraised Value**

The Appraisal Report estimates the market value of the taxable property within Improvement Area EE. This market value is merely the present opinion of the Appraiser, and is subject to the assumptions and limiting conditions stated in the Appraisal Report. The City has not sought the present opinion of any other appraiser of the value of the taxable parcels. A different present opinion of value might be rendered by a different appraiser.

The opinion of value relates to sale by a willing seller to a willing buyer, each having similar information and neither being forced by other circumstances to sell or to buy.

Consequently, the opinion is of limited use in predicting the selling price at a foreclosure sale, because the sale is forced and the buyer may not have the benefit of full information.

In addition, the opinion is a present opinion, based upon present facts and circumstances. Differing facts and circumstances may lead to differing opinions of value. The appraised value is not evidence of future value because future facts and circumstances may differ significantly from the present.

No assurance can be given that any of the taxable property in Improvement Area EE could be sold for the estimated market value contained in the Appraisal Report if that property should become delinquent in the payment of Special Taxes and be foreclosed upon.

See the caption “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—Proceeds of Foreclosure Sales” and “APPENDIX H—APPRAISAL REPORT.”

### **Parity Taxes and Special Assessments**

Property within Improvement Area EE is subject to taxes, charges and assessments imposed by public agencies other than the District that also have jurisdiction over the land within Improvement Area EE. See the caption “THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA EE—Direct and Overlapping Indebtedness.”

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all special taxes and special assessments levied by other agencies and is co-equal to and independent of the lien for general property taxes, regardless of when they are imposed upon the same property. The Special Taxes have priority over all existing and future private liens imposed on the property except, possibly, for liens or security interests held by the Federal Deposit Insurance Corporation (the “**FDIC**”). See the captions “—Bankruptcy and Foreclosure” and “—FDIC/Federal Government Interests in Properties” below.

Neither the District nor the City has control over the ability of other entities and districts to issue indebtedness secured by special taxes, *ad valorem* taxes, or assessments levied on all or a portion of the property within Improvement Area EE. In addition, the landowners within Improvement Area EE may, without the consent or knowledge of the District or the City, petition other public agencies to issue public indebtedness secured by special taxes, *ad valorem* taxes or assessments. Any such special taxes or assessments may have a lien on such property on a parity with the Special Taxes and could reduce the estimated value-to-lien ratios for the property within Improvement Area EE described in this Official Statement. See the captions “SOURCES OF PAYMENT FOR THE BONDS,” “THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA EE—Estimated Assessed Value-To-Lien Ratios” and “THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA EE—Direct and Overlapping Indebtedness.”

### **Disclosures to Future Purchasers**

The willingness or ability of an owner of a parcel to pay the Special Tax regardless of the value of such parcel 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, whether or not the owner was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate and whether or not the owner, at the time of such a levy, has the ability to

pay it as well as other expenses and obligations. The City has caused notices of the Special Tax to be recorded in the Office of the Recorder for the County against each parcel in Improvement Area EE. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property within Improvement Area EE or lending of money thereon.

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

### **Special Tax Delinquencies**

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of and interest on the Bonds are derived, are customarily billed to the properties within Improvement Area EE on the *ad valorem* property tax bills sent to owners of such properties. The Act currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do *ad valorem* property tax installments.

See the caption “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—Proceeds of Foreclosure Sales,” for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Indenture, in the event of delinquencies in the payment of Special Taxes. See the captions “—Bankruptcy and Foreclosure” and “—FDIC/Federal Government Interests in Properties” below for a discussion of limitations on the District’s ability to foreclose on the lien of the Special Taxes in certain circumstances and the policy of the FDIC regarding the payment of special taxes and assessments.

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

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

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

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

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within Improvement Area EE but does not

pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

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

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

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

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

The Policy Statement states that the FDIC generally will not pay non-ad valorem taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Law and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year

and therefore covered by the FDIC's federal immunity. The Ninth Circuit has issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from special taxes levied pursuant to the Law.

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

### **Bankruptcy and Foreclosure**

Bankruptcy, insolvency and other laws generally affecting creditors' rights could adversely impact the interests of owners of the Bonds in at least two ways. First, the payment of property owners' taxes and the ability of the District to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See the caption "SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—Proceeds of Foreclosure Sales." In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

Second, the 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 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 modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by the bankruptcy court. In addition, bankruptcy of a property owner could result in a delay in procuring Superior Court foreclosure proceedings. 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.

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.

### **No Acceleration Provision**

Neither the Bonds, the Indenture nor the Act contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture or in the event that interest on the Bonds becomes included in gross income for federal income tax purposes. Pursuant to the Indenture and further subject to the prior lien of owners of Bonds, an owner is given the right for the equal benefit and protection of all owners of a series similarly situated to pursue certain remedies described in Appendix D under the caption "EVENTS OF DEFAULT; REMEDIES."

### **Loss of Tax Exemption**

As discussed under the caption "TAX EXEMPTION," in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the District has covenanted in the Indenture, not to 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 under Section 103 of the Internal Revenue Code of 1986, as amended (the "**Code**"). Interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date that the Bonds were issued, as a result of acts or omissions of the City or the District in violation of the Code. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding to maturity or until redeemed under the optional or mandatory sinking fund redemption provisions of the Indenture.

### **Limited Secondary Market**

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

### **Proposition 218**

Proposition 218, an initiative measure entitled the "Right to Vote on Taxes Act" (the "**Initiative**"), was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Articles XIIC and XIID to the State Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Provisions of the Initiative have been and will continue to be interpreted by the courts. The Initiative could potentially impact the Special Taxes otherwise available to the District to pay the principal of and interest on the Bonds as described below.

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

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

Accordingly, although the matter is not free from doubt, it is likely that Article XIIC has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the Bonds. The provisions of the Initiative 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 of Improvement Area EE or the City Council, acting as the legislative body of the District, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Nevertheless, to the maximum extent that the law permits it to do so, the District has covenanted that it will not initiate proceedings under the Act to reduce the Maximum Special Tax rates on parcels of Taxable Property within Improvement Area EE to less than an amount projected to equal 110% of annual debt service each year on the Outstanding Bonds and Parity Bonds plus the Administrative Expenses Cap. In connection with the foregoing covenant, the District has made a legislative finding and determination that any elimination or reduction of Special Taxes below the foregoing level would interfere with the timely retirement of the Bonds. The District has also covenanted that, in the event an initiative is adopted which purports to alter the Rate and Method, it will commence and pursue legal action in order to preserve its ability to comply with the foregoing covenant. See the caption "SOURCES OF PAYMENT FOR THE BONDS—Special Taxes." However, no assurance can be given as to the enforceability of the foregoing covenants or as to the outcome of any legal action taken by the District.

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



## **Ballot Initiatives**

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

## **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 on the Bonds or to preserve the tax-exempt status of the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or others similar laws affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion and by limitations or remedies against public agencies in the State. 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, limitation or modification of 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 later 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."

## **Recent Case Law Related to the Mello-Roos Act**

On August 1, 2014, the California Court of Appeal, Fourth Appellate District, 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 is a financing district established under the City's charter (the "Charter") and was intended to function much like a community facilities district established under the Mello-Roos Act. The CCFD was comprised of all of the real property in the entire City. However, the CCFD special tax was to be levied only on properties in the CCFD that were improved with a hotel.

At the election to authorize the CCFD special tax, the CCFD proceedings limited the electorate to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel was located. Registered voters in the City of San Diego were not permitted to vote. This definition of the qualified electors of the CCFD was based on Section 53326(c) of the Mello-Roos Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed community facilities district whose property would be subject to the special tax.

The *San Diego* Court held that the CCFD special tax election did not comply with the City's Charter and with applicable provisions of the California Constitution -- specifically Article XIII A, section 4 ("Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district...") and Article XIII C, section 2(d) ("No local government may impose, extend, or increase any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote.") -- because the electors in the CCFD election should have been the registered voters residing within the CCFD (the boundaries of which were coterminous with the boundaries of the City of San Diego).

As to the District, there were no registered voters within Improvement Area EE at the time of the election to authorize the Special Taxes. Significantly, the *San Diego* Court expressly stated that it was not addressing the validity of a landowner election to impose special taxes on residential property pursuant to the Mello-Roos Act in situations where there are fewer than 12 registered voters. Therefore, by its terms, the *San Diego* Court's holding does not apply to the special tax election in Improvement Area EE.

Moreover, Sections 53341 and 53359 of the Act establish a limited period of time in which special taxes levied under the Mello-Roos Act may be challenged by a third party:

53341. Any action or proceeding to attack, review, set aside, void, or annul the levy of a special tax or an increase in a special tax pursuant to [the Mello-Roos Act] shall be commenced within 30 days after the special tax is approved by the voters....

53359. An action to determine the validity of bonds issued pursuant to [the Mello-Roos Act] or the validity of any special taxes levied pursuant to [the Mello-Roos Act] ... shall .... be commenced within 30 days after the voters approve the issuance of the bonds or the special tax ...

Landowner voters approved the Special Taxes and the issuance of bonds for Improvement Area EE of the District in compliance with all applicable requirements of the Mello-Roos Act on April 16, 2014. Therefore, pursuant to Sections 53341 and 53359 of the Mello-Roos Act, the statute of limitations period to challenge the validity of the special tax has expired.

Because the *San Diego* Court expressly stated that it did not consider the facts presented by the District and because the period for challenging the Special Taxes has passed, the City believes the Special Taxes are valid and cannot be challenged.

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

Property owners within Improvement Area EE are permitted to prepay their Special Taxes at any time. Such prepayments will result in a redemption of the Bonds on the Interest Payment Date following the receipt of the prepayment.

## CONTINUING DISCLOSURE

### District Continuing Disclosure Certificate

**General.** Pursuant to a Continuing Disclosure Certificate, dated as of [\_\_\_\_\_] 1, 2017 (the “**District Continuing Disclosure Certificate**”), executed by the District, the District has covenanted for the benefit of the holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District by December 31 of each year (the “**Annual Report**”), commencing December 31, 2017 for the report for the fiscal year ended June 30, 2017, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the City with EMMA. The specific nature of the information to be contained in the Annual Report and the notice of enumerated events is set forth in “Appendix E—FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with subsection (b)(5) of Rule 15c2-12 (“**Rule 15c2-12**”).

The requirement that the District file its audited financial statements, which constitute a part of the audited financial statements of the City, as a part of the Annual Report has been included in the District Continuing Disclosure Certificate solely to satisfy the provisions of Rule 15c2-12. The inclusion of such information does not mean that the Bonds are secured by any resources or property of the City or any entity other than the District or that the Bonds are payable from any source other than Net Taxes and the other funds pledged under the Indenture. See the captions “SOURCES OF PAYMENT FOR THE BONDS” and “SPECIAL RISK FACTORS—Limited Obligations.”

**Five-Year Compliance History.** During the past five years, the District (with respect to a different improvement area than Improvement Area EE) failed to file its fiscal year 2012-13 audited financial statements (182 days) and annual financial information (76 days) on a timely basis, and failed to file a notice of its failure to file. The District also failed to include two required items of information in its fiscal year 2013-14 annual report, specifically, information pertaining to tax prepayments and improvement fund balances. [UPDATE]

In addition, although the City and its affiliated entities other than the District (such as the Lake Elsinore Public Financing Authority, the City’s former redevelopment agency and its successor agency, and other community facilities districts formed by the City) are not obligated persons pursuant to Rule 15c2-12 with respect to the Bonds, during the last five years the City and such affiliated entities failed to comply in certain respects with continuing disclosure obligations related to outstanding bonded indebtedness. The failures to comply include late filings with respect to several annual reports, incomplete filings with respect to other annual reports, and failure to provide notice of late annual financial information. The incomplete filings omitted one or more of the following items:

- (1) Comprehensive audited financial statements, including the audited financial statements for fiscal years 2011-12 through 2012-13, which were not linked on EMMA to all required CUSIPs until July 1, 2014, and for fiscal year 2015;
- (2) Updated tabular and other operating information; and
- (3) Material event notices of changes in bond ratings.

The City and its affiliated entities have made additional filings to provide certain of the previously omitted information (including the existing ratings of the outstanding bonds). [UPDATE]

In order to promote compliance by the District with its obligations under the District Continuing Disclosure Certificate, the City has retained SCG - Spicer Consulting Group to serve as the dissemination agent for the Bonds. Additionally, the City had adopted formal policies and procedures with respect to its continuing disclosure practices and has reported the failures to comply with its prior continuing disclosure obligations under the current Municipalities Continuing Disclosure Cooperation Initiative of the U.S. Securities Exchange Commission.

### **Developer Continuing Disclosure Certificates**

Although the Underwriter has concluded that the Developers are not obligated persons under Rule 15c2-12, the Developers will each execute a Continuing Disclosure Certificate (each, a “**Developer Continuing Disclosure Certificate**”), pursuant to which the Developers have agreed to provide, or cause to be provided, on a semi-annual and annual basis, to EMMA, certain financial information and operating data concerning each Developer’s development within Improvement Area EE as well as notice of certain listed events until such time as the Developer is no longer responsible for more than 20% of the Special Tax levy. A default under either Developer Continuing Disclosure Certificate will not, in itself, constitute an Event of Default under the Indenture, and the sole remedy under the Developer Continuing Disclosure Certificates in the event of any failure of the Developers or the dissemination agent, as applicable, to comply with the Developer Continuing Disclosure Certificates will be an action to compel performance. See “Appendix F—FORM OF DEVELOPER CONTINUING DISCLOSURE CERTIFICATE.”

*The District has no obligation to enforce the continuing disclosure undertakings of the Developers.*

**Prior Disclosure Compliance by Woodside.** Except as disclosed in the next paragraph, to the Actual Knowledge of Woodside (as defined in “CURRENT AND PROPOSED DEVELOPMENT OF PROPERTY IN IMPROVEMENT AREA EE”), Woodside has not failed in any material respect to comply with any previous undertaking by it to provide periodic continuing disclosure reports or notices of material events with respect to community facilities districts or assessment districts in Southern California within the past five years.

In the last five years, Woodside (i) failed to include annual financial statements with certain annual reports dating back to 2011, although such financial statements were subsequently filed in 2014, and (ii) failed to file semi-annual reports for 2012 with respect to a continuing disclosure obligation, although subsequent reports and a notice of termination of obligation were filed in 2013. Identification of the above-described events does not constitute a representation by Woodside that any such events were material.

**Prior Disclosure Compliance by Beazer.** [NEED UPDATE]

**Prior Disclosure Compliance by CalAtlantic.** The Inland Empire division of CalAtlantic will be responsible for CalAtlantic’s compliance with its Developer Continuing Disclosure Certificate. Except as disclosed in the next paragraph, to the Actual Knowledge of CalAtlantic (as defined in “CURRENT AND PROPOSED DEVELOPMENT OF PROPERTY IN IMPROVEMENT AREA EE”), CalAtlantic has not failed in any material respect to comply with

any previous undertaking by it to provide periodic continuing disclosure reports or notices of material events with respect to community facilities districts or assessment districts in Southern California within the past five years.

On September 30, 2013, CalAtlantic filed a Semi-Annual Report pursuant to the Major Developer Continuing Disclosure Agreement, dated June 1, 2006 (the “**2006 Disclosure Agreement**”), in connection with the issuance of the Poway Unified School District Community Facilities District No. 14 (Del Sur) Improvement Area A 2006 Special Tax Bonds (the “**2006 Bonds**”). Pursuant to the terms of the 2006 Disclosure Agreement, CalAtlantic was not required to file a Semi-Annual Report once property it owned was no longer responsible for payment of 15% or more of the special taxes securing the 2006 Bonds. Pursuant to the terms of the 2006 Disclosure Agreement, CalAtlantic should have filed a Notice to Repositories of Termination of Reporting Obligations (the “**Notice**”) rather than a Semi-Annual Report. CalAtlantic failed to file a Semi-Annual Report or Notice prior to the April 1, 2014 Report Date. On May 22, 2014, CalAtlantic filed the Notice and CalAtlantic has no further obligations under the 2006 Disclosure Agreement. Identification of the above-described event does not constitute a representation by CalAtlantic that such event was material

### **TAX EXEMPTION**

In the opinion of 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 and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond Owner will increase the Bond Owner's basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Owner of the Bond is excluded from the gross income of such Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State personal income tax.

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 for federal income tax purposes 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 complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause 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 (and original issue discount) on the Bonds or their market value.

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, the Resolution of Issuance 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 for federal income tax purposes of interest (and original issue discount) with respect to any Bond as to which any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE BONDS OR THE MARKET VALUE OF THE BONDS. LEGISLATIVE CHANGES HAVE BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH 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, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. 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.

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 continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

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

## LEGAL OPINION

The legal opinion of Bond Counsel approving the validity of the Bonds, in substantially the form set forth as Appendix C hereto, will be made available to purchasers of the Bonds at the time of original delivery of the Bonds. Certain legal matters will be passed upon for the City and the District by Liebold McClendon & Mann, Irvine, California, Issuer Counsel, and by Jones Hall, A Professional Law Corporation, San Francisco, California, Disclosure Counsel, for the Underwriter by Nossaman LLP, Irvine, California, and for the Trustee by its counsel. Bond Counsel undertakes no responsibility to the purchasers of the Bonds for the accuracy, completeness or fairness of this Official Statement.

## ABSENCE OF LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate of the District to that effect will be furnished to the Underwriter at the time of the original delivery of the Bonds. Neither the City nor the District is aware of any litigation pending or threatened which questions the existence of the District or the City or contests the authority of the District to levy and collect the Special Taxes or to issue and retire the Bonds.[CONFIRM]

## NO RATING

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

## UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”), pursuant to a Bond Purchase Agreement, dated [\_\_\_\_], 2017 (the “**Bond Purchase Agreement**”), by and between the District and the Underwriter. The Underwriter has agreed to purchase the Bonds at a price of \$[\_\_\_\_\_] (being the \$[\_\_\_\_\_] aggregate principal amount of the Bonds, less an Underwriter’s discount of \$[\_\_\_\_\_] and less net original issue discount of \$[\_\_\_\_\_]). The Bond Purchase Agreement 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 Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

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

### **FINANCIAL INTERESTS**

The fees being paid to the Underwriter and its counsel, Bond Counsel, Disclosure Counsel and the Trustee are contingent upon the issuance and delivery of the Bonds. From time to time, Bond Counsel and Disclosure Counsel represent the Underwriter on matters unrelated to the Bonds.

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### **ADDITIONAL INFORMATION**

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations, summaries and explanations of the Bonds and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents for full and complete statements and their provisions. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representatives of fact.

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

CITY OF LAKE ELSINORE COMMUNITY  
FACILITIES DISTRICT NO. 2006-1 (SUMMERLY)  
(IMPROVEMENT AREA EE)

By: \_\_\_\_\_  
City Manager of the City of Lake Elsinore

**APPENDIX A**

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX  
CITY OF LAKE ELSINORE  
COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY)  
(IMPROVEMENT AREA EE)**

## APPENDIX B

### ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF LAKE ELSINORE

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

#### General Description

The City was founded in 1883 and incorporated as a general law city effective April 23, 1888 in San Diego County. In 1893, the Elsinore Valley, previously located in San Diego County, became part of the new County of Riverside. The City encompasses approximately 43 square miles, with over 10 miles of lakeshore, and is located at the southwestern end of the County, 73 miles east of downtown Los Angeles and 74 miles north of downtown San Diego. As of January 1, 2017 the City's population was approximately 62,092 people.

#### Population

The population of the City, the County and the State is shown below for 2013 through 2017.

#### City of Lake Elsinore, County of Riverside and State of California Population Estimates

<b>Year (January 1)</b>	<b>City of Lake Elsinore</b>	<b>County of Riverside</b>	<b>State of California</b>
2013	56,039	2,266,549	38,239,207
2014	57,368	2,291,093	38,567,459
2015	59,142	2,317,924	38,907,642
2016	61,006	2,347,828	39,255,883
2017	62,092	2,384,783	39,523,613

Source: California Department of Finance estimates (as of January 1).

## Employment and Industry

The County is a part of the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (the “MSA”). The unemployment rate in the MSA was 6.2% in August 2017, up from a revised 6.1% in July 2017, and below the year-ago estimate of 6.4%. This compares with an unadjusted unemployment rate of 5.4% for the State and 4.5% for the nation during the same period. The unemployment rate was 6.5% in the County and 5.8% percent in San Bernardino County.

The following table summarizes the civilian labor force, employment and unemployment in the County for the calendar years 2012 through 2016. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the City.

**RIVERSIDE-SAN BERNARDINO-ONTARIO METROPLITAN STATISTICA AREA**  
**(Riverside and San Bernardino Counties)**  
**Civilian Labor Force, Employment and Unemployment**  
**(Annual Averages)**  
**March 2016 Benchmark**

	2012	2013	2014	2015	2016
Civilian Labor Force <sup>(1)</sup>	1,882,200	1,897,700	1,927,600	1,961,800	1,987,400
Employment	1,665,100	1,711,000	1,771,700	1,832,300	1,870,200
Unemployment	217,100	186,700	155,900	129,500	117,200
Unemployment Rate	11.5%	9.8%	8.1%	6.6%	5.9%
<u>Wage and Salary Employment<sup>(2)</sup></u>					
Agriculture	15,000	14,500	14,400	15,100	14,700
Mining and Logging	1,200	1,200	1,300	1,300	900
Construction	62,600	70,000	77,600	85,200	92,500
Manufacturing	86,700	87,300	91,300	95,600	98,900
Wholesale Trade	52,200	56,400	58,900	61,700	62,900
Retail Trade	162,400	164,800	169,400	173,500	179,000
Transportation, Warehousing & Utilities	73,000	78,400	86,600	97,300	104,400
Information	11,700	11,500	11,300	11,300	11,600
Finance & Insurance	25,400	25,700	26,000	26,100	27,300
Real Estate & Rental & Leasing	14,900	15,600	16,300	17,100	18,000
Professional & Business Services	10,800	11,400	11,900	12,200	145,800
Educational & Health Services	127,500	132,400	139,300	144,400	214,300
Leisure & Hospitality	173,600	187,600	194,800	205,000	159,700
Other Services	129,400	135,900	144,800	151,500	45,100
Federal Government	40,100	41,100	43,000	44,000	20,500
State Government	20,600	20,300	20,200	20,300	29,700
Local Government	28,200	27,800	28,200	28,700	190,400
Total, All Industries <sup>(3)</sup>	1,200,200	1,247,800	1,303,700	1,362,400	1,415,400

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

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

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

## Major Employers

The following table sets forth the top twenty-five employers located in the County:

**COUNTY OF RIVERSIDE**  
**Largest Employers (Listed Alphabetically)**  
**As of September 2017**

<b>Employer Name</b>	<b>Location</b>	<b>Industry</b>
Amazon Fulfillment Ctr	Moreno Valley	Distribution Centers (whls)
Corrections Dept	Norco	Government Offices-State
Desert Regional Medical Ctr	Palm Springs	Hospitals
Eisenhower Medical Ctr	Rancho Mirage	Hospitals
Fantasy Springs Resort Casino	Indio	Casinos
Handsome Rewards	Perris	Internet & Catalog Shopping
Hemet Valley Medical Ctr	Hemet	Hospitals
Hotel At Fantasy Springs	Indio	Casinos
Inland Valley Medical Ctr	Wildomar	Hospitals
J W Marriott Desert Spgs Resrt	Palm Desert	Convention & Meeting Facilities & Svc
La Quinta Golf Course	La Quinta	Golf Courses
La Quinta Resrt-Club A Waldorf	La Quinta	Resorts
Morongo Resort & Spa	Cabazon	Casinos
Morongo Tribal Gaming Ent	Banning	Business Management Consultants
Parkview Community Hospital	Riverside	Hospitals
Pechanga Resort & Casino	Temecula	Casinos
Riverside Community Hospital	Riverside	Hospitals
Riverside University Health	Moreno Valley	Hospitals
Robertson's Ready Mix	Corona	Concrete-Ready Mixed
Southwest Healthcare System	Murrieta	Hospitals
Starcrest of California	Perris	Internet & Catalog Shopping
Starcrest Products	Perris	Gift Shops
Sun World Intl LLC	Coachella	Fruits & Vegetables-Wholesale
Universal Protection Svc	Palm Desert	Security Guard & Patrol Service
US Air Force Dept	March Arb	Military Bases

*Source: State of California Employment Development Department; America's Labor Market Information System (ALMIS) Employer Database, 2017 2nd Edition.*

## Effective Buying Income

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

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2012 through 2016.

**CITY OF LAKE ELSINORE  
COUNTY OF RIVERSIDE  
Effective Buying Income  
As of January 1, 2012 through 2016**

<b>Year</b>	<b>Area</b>	<b>Total Effective Buying Income (000's Omitted)</b>	<b>Median Household Effective Buying Income</b>
2012	City of Lake Elsinore	\$846,888	\$45,195
	County of Riverside	40,157,310	43,860
	California	864,088,828	47,307
	United States	6,737,867,730	41,358
2013	City of Lake Elsinore	\$852,698	\$45,712
	County of Riverside	40,293,518	44,784
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	City of Lake Elsinore	\$907,205	\$48,563
	County of Riverside	41,199,300	45,576
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2015	City of Lake Elsinore	\$977,758	\$51,040
	County of Riverside	45,407,058	48,674
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2016	City of Lake Elsinore	\$1,092,865	\$56,003
	County of Riverside	47,509,909	50,287
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043

Source: The Nielsen Company (US), Inc.

## Commercial Activity

A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table. The following table shows total taxable retail sales, total taxable sales from all outlets and related number of permits in the County on an annual basis for calendar years 2011 through 2015. Annual figures for calendar year 2016 are not yet available.

**COUNTY OF RIVERSIDE**  
**Taxable Transactions**  
**Number of Permits and Valuation of Taxable Transactions**  
**(Dollars in Thousands)**

	<b>Retail Stores</b>		<b>Total All Outlets</b>	
	Number of Permits on August 1	Taxable Transactions	Number of Permits on August 1	Taxable Transactions
2011	33,398	\$18,576,285	46,886	\$25,641,497
2012	34,683	20,016,668	48,316	28,096,009
2013	33,391	21,306,774	46,805	30,065,467
2014	34,910	22,646,343	48,453	32,035,687
2015 <sup>(1)</sup>	18,662	23,281,724	56,846	32,910,910

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: California State Board of Equalization, *Taxable Sales in California (Sales & Use Tax)*.

A summary of historic taxable sales within the City during the past five years in which data is available is shown in the following table. The following table shows total taxable retail sales, total taxable sales from all outlets and related number of permits in the City on an annual basis for calendar years 2011 through 2015. Annual figures for calendar year 2016 are not yet available.

**CITY OF LAKE ELSINORE**  
**Taxable Transactions**  
**Number of Permits and Valuation of Taxable Transactions**  
**(Dollars in Thousands)**

	<b>Retail Stores</b>		<b>Total All Outlets</b>	
	Number of Permits on August 1	Taxable Transactions	Number of Permits on August 1	Taxable Transactions
2011	897	\$578,301	1,248	\$634,553
2012	923	604,846	1,274	665,409
2013	828	620,558	1,176	688,483
2014	809	647,941	1,176	728,088
2015 <sup>(1)</sup>	900	673,669	1,420	765,716

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: California State Board of Equalization, *Taxable Sales in California (Sales & Use Tax)*.

## Construction Activity

Provided below are the building permits and valuations for the County and the City for calendar years 2012 through 2016.

### COUNTY OF RIVERSIDE Total Building Permit Valuations (Valuations in Thousands)

	2012	2013	2014	2015	2016
Permit Valuation					
New Single-family	\$904,156.2	\$1,138,738.1	\$1,296,552.8	\$1,313,084.2	\$1,526,767.8
New Multi-family	87,878.6	138,636.0	178,116.7	110,458.4	106,291.8
Res. Alterations/Additions	87,370.5	98,219.3	147,081.2	113,200.0	126,475.0
Total Residential	1,079,405.3	1,375,593.4	1,621,750.7	1,536,742.6	1,759,534.6
New Commercial	508,192.8	263,837.7	197,674.9	211,785.1	540,447.1
New Industrial	26,432.5	141,184.4	161,321.1	180,521.3	59,439.2
New Other	11,115.5	109,795.2	128,666.9	204,554.1	374,917.0
Com. Alterations/Additions	171,263.2	369,502.4	327,327.1	314,604.2	371,216.4
Total Nonresidential	717,004.0	884,319.7	814,990.0	911,464.7	1,346,019.7
New Dwelling Units					
Single Family	3,720	4,716	5,007	5,007	5,662
Multiple Family	909	1,427	1,931	1,189	1,039
TOTAL	4,629	6,143	6,938	6,196	6,701

Source: Construction Industry Research Board, Building Permit Summary.

### CITY OF LAKE ELSINORE Total Building Permit Valuations (Valuations in Thousands)

	2012	2013	2014	2015	2016
Permit Valuation					
New Single-family	\$17,061.9	\$113,359.4	\$79,497.9	\$75,724.5	\$120,449.1
New Multi-family	0.0	0.0	0.0	0.0	0.0
Res. Alterations/Additions	858.0	502.0	661.4	254.5	762.7
Total Residential	71,919.9	113,861.4	80,159.3	75,979.0	121,211.8
New Commercial	4,701.2	2,520.7	260.2	229.1	2,392.4
New Industrial	0.0	0.0	0.0	0.0	11,625.7
New Other	40.0	440.8	3,319.0	2,829.3	5,111.1
Com. Alterations/Additions	3,300.5	1,301.5	1,811.0	2,821.3	1,725.1
Total Nonresidential	8,041.7	4,272.0	5,390.2	5,879.7	20,854.3
New Dwelling Units					
Single Family	401	685	429	372	457
Multiple Family	0	0	0	0	0
TOTAL	401	685	429	372	457

Source: Construction Industry Research Board, Building Permit Summary.



## **Transportation**

Easy access to job opportunities in the County and nearby Los Angeles, Orange and San Diego Counties is important to the County's employment figures. Several major freeways and highways provide access between the County and all parts of Southern California. The Riverside Freeway (State Route 91) extends southwest through Corona and connects with the Orange County freeway network in Fullerton. Interstate 10 traverses the width of the County, the western-most portion of which links up with major cities and freeways in the eastern part of Los Angeles County and the southern part of San Bernardino County. Interstate 15 and 215 extend north and then east to Las Vegas, and south to San Diego. The Moreno Valley Freeway (U.S. 60) provides an alternative (to interstate 10) east-west link to Los Angeles County.

The County seat, located in the City of Riverside, is within 20 miles of the Ontario International Airport in neighboring San Bernardino County. This airport is operated by the Los Angeles Department of Airports. Four major airlines schedule commercial flight service at Palm Springs Regional Airport. County-operated general aviation airports include those in Thermal, Hemet, Blythe, and French Valley. The cities of Riverside, Corona and Banning also operate general aviation airports.

## **Education**

There are four elementary school districts, one high school district, eighteen unified (K-12) school districts and four community college districts in the County. Ninety-five percent of all K-12 students attend schools in the unified school districts. The three largest unified districts are Riverside Unified School District, Moreno Valley Unified School District and Corona-Norco Unified School District.

There are eight two-year community college campuses located in the communities of Riverside, Moreno Valley, Norco, San Jacinto, Menifee, Coachella Valley and Palo Verde Valley. There are also two universities and a four-year college located in the City of Riverside -- the University of California, Riverside, La Sierra University and California Baptist College.

## **APPENDIX C**

### **FORM OF OPINION OF BOND COUNSEL**

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

## **APPENDIX D**

### **SUMMARY OF THE INDENTURE**

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

## FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”), dated [\_\_\_\_], 2017, is executed and delivered by City of Lake Elsinore Community Facilities District No. 2006-1 (Summerly) (the “District”) in connection with the issuance of the City of Lake Elsinore Community Facilities District No. 2006-1 (Summerly) Special Tax Bonds, Series 2017 (Improvement Area EE) (the “Bonds”). The Bonds are being issued pursuant to a Resolution of Issuance adopted by the City Council of the City of Lake Elsinore, acting as the legislative body of the District on [\_\_\_\_], 2017 and a Bond Indenture by and between the District and Wilmington Trust, National Association, as Trustee, dated as of [\_\_\_\_] 1, 2017 (the “Indenture”).

The District covenants as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered, for the benefit of the Owners and Beneficial Owners of the Bonds and 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 and the Rate and Method of Apportionment, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including a person holding Bond through a nominee, depository or other intermediary), or (b) is treated as the owner of any Bond for federal income purposes.

“City” shall mean the City of Lake Elsinore, County of Riverside, California.

“Disclosure Representative” shall mean the Director of Administrative Services of the City, or such other officer or employee as the District shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean, initially, SCG - Spicer Consulting Group, or any successor Dissemination Agent designed in writing by the District.

“EMMA” shall mean the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at [www.emma.msrb.org](http://www.emma.msrb.org), or any other repository of disclosure information that may be designated by the Securities and Exchange Commission in the future.

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

“Official Statement” shall mean the District’s official statement with respect to the Bonds.

“Participating Underwriter” shall mean Stifel, Nicolaus & Company, Incorporated.

“Rate and Method of Apportionment” means that certain Rate and Method of Apportionment of Special Tax approved pursuant to the Resolution of Formation, as amended in accordance with the Act.

“Resolution of Formation” means the Resolution adopted by the City Council pursuant to which the City Council undertook certain change proceedings with respect to the District and established Improvement Area EE therein.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Tax-exempt” shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preferences or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

### SECTION 3. Provision of Annual Reports.

(a) Not later than December 31 of each year commencing December 31, 2017, the District shall, or shall cause the Dissemination Agent to, provide to EMMA and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is other than the District, then not later than 15 business days prior to the date referred to in the prior sentence hereof, the District shall provide the Annual Report (in a form suitable for filing with EMMA) to the Dissemination Agent. The Annual Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District 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.

Once posted, the Official Statement will serve as the first Annual Report.

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

(c) If the Dissemination Agent is 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 send a notice in a timely manner to EMMA, in the form required by EMMA. If the District acts as its own Dissemination Agent, it

shall file a notice with EMMA no later than the date specified in subsection (a) for filing an Annual Report if the District fails to file the Annual Report by that date.

(d) If the Dissemination Agent is other than the District, the Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the repository if other than the MSRB through EMMA; and

(ii) promptly after receipt of the Annual Report, file a report with the District certifying that the Annual Report has been provided to EMMA and the date it was provided.

(e) Notwithstanding any other provision of this Disclosure Certificate, all filings shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

SECTION 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference:

(a) Financial Statements. The audited financial statements of the District, if any, for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements, if any are prepared, are not available by the time the Annual Report is required to be filed pursuant to Section 3, the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they come available.

(b) Financial and Operating Data. The Annual Report shall contain or incorporate by reference the following information:

(i) the principal amount of Bonds outstanding as of the September 2 preceding the filing of the Annual Report;

(ii) the balance in each fund under the Indenture as of the September 2 preceding the filing of the Annual Report;

(iii) the aggregate assessed valuation of the Taxable Property within Improvement Area EE;

(iv) any changes to the Rate and Method of Apportionment of the Special Tax approved or submitted to the qualified electors for approval prior to the filing of the Annual Report;

(v) a table setting forth the annual Special Tax delinquency rate within Improvement Area EE at June 30 for each fiscal year on which a delinquency exists, listing for each fiscal year the total Special Tax levy, the amount delinquent and the percent delinquent;

(vi) the status of any foreclosure actions being pursued by the District with respect to delinquent Special Taxes within Improvement Area EE;

(vii) if Special Taxes are levied on Undeveloped Property, the amount of Special Taxes levied on Undeveloped Property and the amount of Special Taxes levied on Developed Property (as such terms are defined in the Rate and Method of Apportionment);

(viii) an update of Table 3 and Table 4 of the Official Statement based upon the outstanding principal amount of bonds issued by the District for Improvement Area EE, the most recent Special Tax levy preceding the date of the Annual Report and the estimated assessed value of taxable property within Improvement Area EE; the tables should include such information about the owners of taxable property that are responsible for 5% or more of the most recent Special Tax levy; the tables do not need to reflect Overlapping Land Secured Bonded Debt.

(c) Any or all of the items listed in (a) or (b) above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB through EMMA. The District shall clearly identify each such other document so included by reference.

#### SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause the Dissemination Agent to give, notice to EMMA in a timely manner not in excess of ten (10) business days after the occurrence of any of the following events with respect to the Bonds:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds;
6. defeasances;
7. tender offers;
8. bankruptcy, insolvency, receivership or similar proceedings; and
9. ratings changes.

(b) Additionally, the District shall give or cause the Dissemination Agent to give notice to EMMA in a timely manner not in excess of ten (10) business days after the occurrence of any of the following events with respect to the Bonds, if material:

1. mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated persons or their termination;
2. appointment of a successor or additional fiscal agent or the change of the name of a fiscal agent;
3. nonpayment related defaults;
4. modifications to the rights of Bondholders;
5. bond calls; and
6. release, substitution or sale of property securing repayment of the Bonds.

(c) In the event that the District's fiscal year changes, the District shall report or shall instruct the Dissemination Agent to report such change in the same manner and to the same parties as Listed Events would be reported pursuant to this Section.

(d) The District hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the District, and the Dissemination Agent, if other than the District, shall not be responsible for determining whether the District's instructions to the Dissemination Agent under this Section 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 Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5.

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 the Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be SCG - Spicer Consulting Group. The Dissemination Agent may resign by providing (i) thirty days written notice to the District, and (ii) upon appointment of a new Dissemination Agent hereunder.

SECTION 8. Amendment.

(a) This Disclosure Certificate may be amended, by written agreement of the parties, without the consent of the Owners, and any provision of this Disclosure Certificate may be waived, if all of the following conditions are satisfied: (1) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law, or a change in the identity, nature or status of the District or the type of business conducted thereby, (2) the undertakings in this Disclosure Certificate as so amended or waived would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (3) the amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners or (ii) does not, in the determination of the District, materially impair the interests of the Owners or Beneficial Owners of the Bonds.



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

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

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

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

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. Where an entity other than the District is acting as the Dissemination Agent, the Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. Any Dissemination Agent shall be paid (i) compensation by the 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 Dissemination Agent shall have no duty or obligation to review any information provided to it by the District pursuant to this Disclosure Certificate. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this

Disclosure Certificate. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Certificate.

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

SECTION 13. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the filing of any paper or any further act.

This Disclosure Certificate is executed as of the date and year first set forth above.

CITY OF LAKE ELSINORE COMMUNITY  
FACILITIES DISTRICT NO. 2006-1 (SUMMERLY)

By: \_\_\_\_\_  
Disclosure Representative

## APPENDIX F

[Woodside]

### FORM OF DEVELOPER CONTINUING DISCLOSURE CERTIFICATE

#### CONTINUING DISCLOSURE CERTIFICATE (Property Owner)

\$[\_\_\_\_\_]

#### CITY OF LAKE ELSINORE COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY) SPECIAL TAX BONDS, SERIES 2017 (IMPROVEMENT AREA EE)

This Continuing Disclosure Certificate (Property Owner) (this “**Disclosure Certificate**”), dated [\_\_\_\_], 2017, is executed and delivered by [Woodside 05S, LP, a CalAtlantic Group, Inc., a California limited partnership] (the “**Property Owner**”) and SCG - Spicer Consulting Group as dissemination agent (the “**Dissemination Agent**”) in connection with the issuance by the City of Lake Elsinore (the “**City**”) of the bonds captioned above (the “**Bonds**”) with respect to Community Facilities District No. 2006-1 (Summerly) (Improvement Area EE), City of Lake Elsinore, County of Riverside, State of California (the “**District**”). The Bonds are being issued pursuant to a Resolution of Issuance adopted by the City Council of the City, acting as legislative body of the District on [\_\_\_\_], 2017, and a Bond Indenture, dated as of [\_\_\_\_] 1, 2017, (the “**Indenture**”), by and between the District and Wilmington Trust, N.A., as trustee (the “**Trustee**”).

The Property Owner covenants and agrees as follows:

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

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

“*Affiliate*” means any person presently directly (or indirectly through one or more intermediaries) currently under managerial control of the Property Owner, and about whom information could be material to potential investors in their investment decision regarding the Bonds (including without limitation information relevant to the proposed development of the Property or the Property Owner’s ability to pay the Special Taxes related to the Property prior to delinquency).

“*Assumption Agreement*” means an undertaking of a Major Owner, or an Affiliate thereof, for the benefit of the holders and beneficial owners of the Bonds containing terms substantially similar to this Disclosure Certificate (as modified for such Major Owner’s development and financing plans with respect to Improvement Area EE of the District), whereby such Major Owner or Affiliate agrees to provide periodic reports and notices of significant events, setting forth the information described in sections 4 and 5 hereof, respectively, with respect to the portion of the property in Improvement Area EE of the District owned by such Major Owner and

its Affiliates and, at the option of the Property Owner or such Major Owner, agrees to indemnify the Dissemination Agent (if any) pursuant to a provision substantially in the form of Section 11 hereof.

*“Dissemination Agent”* means SCG - Spicer Consulting Group, or any successor Dissemination Agent designated in writing by the Property Owner, and which has filed with the Property Owner, the City and the Trustee a written acceptance of such designation, and which is experienced in providing dissemination agent services such as those required under this Disclosure Certificate.

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

*“Major Owner”* means, as of any Report Date, an owner of land in Improvement Area EE of the District that is responsible in the aggregate for 20% or more of the Special Taxes in Improvement Area EE of the District anticipated to be levied at any time during the then-current fiscal year.

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

*“Official Statement”* means the final official statement executed by the City in connection with the issuance of the Bonds.

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

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

*“Person”* means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

*“Property”* means the property owned by the Property Owner in Improvement Area EE of the District.

*“Report Date”* means March 31 and September 30 of any fiscal year.

*“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.

*“Special Taxes”* means the special taxes of the District levied on taxable property within Improvement Area EE of the District.

### Section 3. Provision of Periodic Reports.

(a) The Property Owner shall, or, upon written direction of the Property Owner the Dissemination Agent shall, not later than the Report Date, commencing March 31, 2018, file

with the MSRB a Periodic Report which is consistent with the requirements of Section 4 of this Disclosure Certificate with a copy to the Trustee (if different from the Dissemination Agent), the Participating Underwriter and the City. Not later than 15 calendar days prior to the Report Date, the Property Owner shall provide the Periodic Report to the Dissemination Agent (if different from the Property Owner). The Property Owner shall provide a written certification with (or included as a part of) each Periodic Report furnished to the Dissemination Agent (if different from the Property Owner), the Trustee (if different from the Dissemination Agent), the Participating Underwriter and the City to the effect that such Periodic Report constitutes the Periodic Report required to be furnished by it under this Disclosure Certificate. The Dissemination Agent, the Trustee, the Participating Underwriter and the City may conclusively rely upon such certification of the Property Owner and shall have no duty or obligation to review the Periodic Report. The Periodic Report may be submitted as a single document or as separate documents comprising a package, and may incorporate by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Dissemination Agent does not receive a Periodic Report by 15 calendar days prior to the Report Date, the Dissemination Agent shall send a reminder notice to the Property Owner that the Periodic Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct the Property Owner to determine whether its obligations under this Disclosure Certificate have terminated (pursuant to Section 6 below) and, if so, to provide the Dissemination Agent with a notice of such termination in the same manner as for a Listed Event (pursuant to Section 5 below). If the Property Owner does not provide, or cause the Dissemination Agent to provide, a Periodic Report to the MSRB by the Report Date as required in subsection (a) above, the Dissemination Agent shall send a notice to the MSRB in substantially the form attached hereto as Exhibit A, with a copy to the Trustee (if other than the Dissemination Agent), the City, the Participating Underwriter and the Property Owner.

(c) With respect to the Periodic Report, the Dissemination Agent shall, to the extent the Periodic Report has been furnished to it, file the Periodic Report with the MSRB and file a report with the Property Owner (if the Dissemination Agent is other than the Property Owner), the City and the Participating Underwriter certifying that the Periodic Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to and filed with the MSRB.

Section 4. Content of Periodic Reports. The Property Owner's Periodic Report shall contain or incorporate by reference the information set forth in Exhibit B, any or all of which may be included by specific reference to other documents, including official statements of debt issues of the Property Owner or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Property Owner shall clearly identify each such other document so included by reference.

In addition to any of the information expressly required to be provided in Exhibit B, the Property Owner's Periodic Report shall include such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

#### Section 5. Reporting of Significant Events.

(a) The Property Owner shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to itself or the Property, if material:

(i) bankruptcy or insolvency proceedings commenced by or against the Property Owner and, if known, any bankruptcy or insolvency proceedings commenced by or against any Affiliate of the Property Owner which is reasonably likely to have a significant impact on the Property Owner's ability to pay Special Taxes or to sell or develop the Property;

(ii) failure to pay any property taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property on or prior to the delinquency date to the extent that such failure is not promptly cured by the Property Owner upon discovery thereof;

(iii) filing of a lawsuit of which the Property Owner is aware against the Property Owner or an Affiliate of the Property Owner seeking damages, which is reasonably likely to have a significant impact on the Property Owner's ability to pay Special Taxes or to sell or develop the Property;

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

(v) any payment default or other material default by the Property Owner on any loan with respect to the construction of improvements on the Property.

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

(c) If the Property Owner determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Property Owner shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with the MSRB, with a copy to the Trustee, the City and the Participating Underwriter.

#### Section 6. Duration of Reporting Obligation.

(a) All of the Property Owner's obligations hereunder shall commence on the date hereof and shall terminate (except as provided in Section 11) on the earliest to occur of the following:

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

(ii) at such time as property owned by the Property Owner is no longer responsible for payment of 20% or more of the Special Taxes, or

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

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

(b) If a portion of the Property owned by the Property Owner, or any Affiliate of the Property Owner, is conveyed to a Person that, upon such conveyance, will be a Major Owner, the obligations of the Property Owner hereunder with respect to the property in Improvement Area EE of the District owned by such Major Owner and its Affiliates may be assumed by such Major Owner or by an Affiliate thereof, and the Property Owner's obligations hereunder with respect to such property will be terminated. In order to effect such assumption, such Major Owner or Affiliate shall enter into an Assumption Agreement in form and substance reasonably satisfactory to the City and the Participating Underwriter.

Section 7. Dissemination Agent. The Property Owner may, from time to time, appoint or engage a Dissemination Agent to assist the Property Owner in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be SCG - Spicer Consulting Group. The Dissemination Agent may resign by providing thirty days' written notice to the City, the Property Owner and the Trustee.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Property Owner may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied (provided, however, that the Dissemination Agent shall not be obligated under any such amendment that modifies or increases its duties or obligations hereunder without its written consent thereto):

(a) if the amendment or waiver relates to the provisions of sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted; and

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

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

Section 10. Default. In the event of a failure of the Property Owner to comply with any provision of this Disclosure Certificate, the Trustee shall (upon written direction and only to the extent indemnified to its satisfaction from any liability, cost or expense, including fees and expenses of its attorneys), and the Participating Underwriter and any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking



mandate or specific performance by court order, to cause the Property Owner to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole and exclusive remedy under this Disclosure Certificate in the event of any failure of the Property Owner to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Property Owner agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents (each, an "Indemnified Party"), harmless against any loss, expense and liability which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding losses, liabilities, costs and expenses due to an Indemnified Party's negligence or willful misconduct or failure to perform its duties hereunder. The Dissemination Agent shall be paid compensation for its services provided hereunder from the Administrative Expense Account of the Special Tax Fund established under the Indenture in accordance with the Dissemination Agent's schedule of fees as amended from time to time, which schedule, as amended, shall be reasonably acceptable, and all reasonable expenses, reasonable legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Property Owner, the Trustee, the Bond owners, or any other party. The obligations of the Property Owner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Issuer:	City of Lake Elsinore 130 South Main Street Lake Elsinore, California 92530 Attention: Director of Administrative Services
To the Trustee:	Wilmington Trust, N.A. 650 Town Center Drive, Suite 600 Costa Mesa, California 92626 Attn: Corporate Trust Department Phone: (714) 384-4153
To the Participating Underwriter:	Stifel, Nicolaus & Company, Incorporated 515 South Figueroa Street, Suite 1800 Los Angeles, California 90071 Attention: Public Finance
To the Dissemination Agent:	SCG - Spicer Consulting Group 25220 Hancock Avenue, Suite 300 Murrieta, California 92562 Attention: Managing Director

To the Property Owner:

Woodside Homes  
[To Come]

provided, however, that all such notices, requests or communication may be made by telephone and promptly confirmed by writing. Any person may, by notice given as aforesaid to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Property Owner (its successors and assigns), the Trustee, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. All obligations of the Property Owner hereunder shall be assumed by any legal successor to the obligations of the Property Owner as a result of a sale, merger, consolidation or other reorganization.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: [\_\_\_\_], 2017

WOODSIDE 05S, LP,  
a California limited partnership

[To Come]

ACCEPTED AND AGREED TO:

SCG - SPICER CONSULTING GROUP,  
as Dissemination Agent

By: \_\_\_\_\_  
Authorized Signatory

## EXHIBIT A

### NOTICE OF FAILURE TO FILE PERIODIC REPORT

Name of Issuer: City of Lake Elsinore with respect to its Community Facilities District No. 2006-1 (Summerly) (Improvement Area EE), City of Lake Elsinore, County of Riverside, State of California

Name of Bond Issue: City of Lake Elsinore Community Facilities District No. 2006-1 (Summerly) Special Tax Bonds, Series 2017 (Improvement Area EE)

Date of Issuance: [\_\_\_\_], 2017

NOTICE IS HEREBY GIVEN that Woodside 05S, LP (the “**Major Owner**”) has not provided a Periodic Report with respect to the above-named bonds as required by that certain Continuing Disclosure Certificate (Property Owner), dated [\_\_\_\_], 2017. The Major Owner anticipates that the Periodic Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

SCG - Spicer Consulting Group,  
as Dissemination Agent

By: \_\_\_\_\_  
Its: \_\_\_\_\_

cc: Trustee  
City  
Participating Underwriter  
Property Owner/Major Owner

**EXHIBIT B**

**PERIODIC REPORT  
(MARCH 31, 20 / SEPTEMBER 30, 20 )**

**\$[ ]  
CITY OF LAKE ELSINORE  
COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY)  
SPECIAL TAX BONDS, SERIES 2017  
(IMPROVEMENT AREA EE)**

This Periodic Report is hereby submitted under Section 4 of the Continuing Disclosure Certificate (the "**Disclosure Certificate**") dated [ ], 2017 executed by the undersigned (the "**Property Owner**") in connection with the issuance of the above-captioned bonds by the City of Lake Elsinore (the "**City**") with respect to its Community Facilities District No. 2006-1 (Summerly), City of Lake Elsinore, County of Riverside, State of California (the "**District**").

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

**I. Property Ownership and Development**

The information in this section is provided as of \_\_\_\_\_ (this date must be not more than 60 days before the date of this Periodic Report).

A. Property currently owned by the Property Owner in Improvement Area EE of the District (the "**Property**"):

Development name: \_\_\_\_\_

Number of lots (or acreage): \_\_\_\_\_

B. Status of land development or construction activities with respect to the Property:

\_\_\_\_\_  
\_\_\_\_\_

C. Status of building permits and any significant amendments to land use or development entitlements for the Property:

\_\_\_\_\_  
\_\_\_\_\_

D. Aggregate property in Improvement Area EE of the District sold (closed escrows), optioned or leased by the Property Owner to end users or merchant builders:

Since the Date of Issuance  
of the Bonds

Since the Last Periodic  
Report

Acres\* \_\_\_\_\_  
Lots \_\_\_\_\_  
Bldg. Sq. Ft. \_\_\_\_\_

Acres\* \_\_\_\_\_  
Lots \_\_\_\_\_  
Bldg. Sq. Ft. \_\_\_\_\_

\* For bulk land sales only (excluding sales of finished lots or completed buildings).

E. Status of any land purchase contracts with regard to the Property, whether acquisition of land in Improvement Area EE of the District by the Property Owner or sales (closed escrows) of land in Improvement Area EE of the District to other property owners, distinguishing between (i) end users (e.g., condominiums), (ii) Property Owners and (iii) merchant builders.

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## II. Legal and Financial Status of Property Owner

Unless such information has previously been included or incorporated by reference in a Periodic Report, describe any change in the legal structure of the Property Owner or the financial condition and financing plan of the Property Owner that would materially and adversely interfere with its ability to complete its development plan described in the Official Statement.

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## III. Change in Development or Financing Plans

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

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## IV. Official Statement Updates

Unless such information has previously been included or incorporated by reference in a Periodic Report, describe any other significant changes in the information relating to the Property Owner or the Property contained in the Official Statement under the headings "CURRENT AND PROPOSED DEVELOPMENT OF PROPERTY WITHIN IMPROVEMENT AREA EE - Development by Woodside" that would materially and adversely interfere with the Property Owner's ability to develop and sell the Property as described in the Official Statement.

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**V. Other Material Information**

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

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**Certification**

The undersigned Property Owner hereby certifies that this Periodic Report constitutes the Periodic Report required to be furnished by the Property Owner under the Disclosure Certificate.

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

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

Dated: \_\_\_\_\_

Woodside 05S, LP,  
a California limited partnership

[To Come]

[Beazer]

**CONTINUING DISCLOSURE CERTIFICATE  
(Property Owner)**

\$[ ]

**CITY OF LAKE ELSINORE  
COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY)  
SPECIAL TAX BONDS, SERIES 2017  
(IMPROVEMENT AREA EE)**

This Continuing Disclosure Certificate (Property Owner) (this “**Disclosure Certificate**”), dated [ ], 2017, is executed and delivered by the undersigned (the “**Property Owner**”) and SCG - Spicer Consulting Group as dissemination agent (the “**Dissemination Agent**”) in connection with the issuance by the City of Lake Elsinore (the “**City**”) of the bonds captioned above (the “**Bonds**”) with respect to Community Facilities District No. 2006-1 (Summerly) (Improvement Area EE), City of Lake Elsinore, County of Riverside, State of California (the “**District**”). The Bonds are being issued pursuant to a Resolution of Issuance adopted by the City Council of the City, acting as legislative body of the District on [ ], 2017, and a Bond Indenture, dated as of [ ] 1, 2017, (the “**Indenture**”), by and between the District and Wilmington Trust, N.A., as trustee (the “**Trustee**”).

The Property Owner covenants and agrees as follows:

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

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

“*Affiliate*” means any person presently directly (or indirectly through one or more intermediaries) currently under managerial control of the Property Owner, and about whom information could be material to potential investors in their investment decision regarding the Bonds (including without limitation information relevant to the proposed development of the Property or the Property Owner’s ability to pay the Special Taxes related to the Property prior to delinquency).

“*Assumption Agreement*” means an undertaking of a Major Owner, or an Affiliate thereof, for the benefit of the holders and beneficial owners of the Bonds containing terms substantially similar to this Disclosure Certificate (as modified for such Major Owner’s development and financing plans with respect to Improvement Area EE of the District), whereby such Major Owner or Affiliate agrees to provide periodic reports and notices of significant events, setting forth the information described in sections 4 and 5 hereof, respectively, with respect to the portion of the property in Improvement Area EE of the District owned by such Major Owner and its Affiliates and, at the option of the Property Owner or such Major Owner, agrees to indemnify the Dissemination Agent (if any) pursuant to a provision substantially in the form of Section 11 hereof.



*“Dissemination Agent”* means SCG - Spicer Consulting Group, or any successor Dissemination Agent designated in writing by the Property Owner, and which has filed with the Property Owner, the City and the Trustee a written acceptance of such designation, and which is experienced in providing dissemination agent services such as those required under this Disclosure Certificate.

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

*“Major Owner”* means, as of any Report Date, an owner of land in Improvement Area EE of the District that is responsible in the aggregate for 20% or more of the Special Taxes in Improvement Area EE of the District anticipated to be levied at any time during the then-current fiscal year.

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

*“Official Statement”* means the final official statement executed by the City in connection with the issuance of the Bonds.

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

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

*“Person”* means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

*“Property”* means the property owned by the Property Owner in Improvement Area EE of the District.

*“Report Date”* means March 31 and September 30 of any fiscal year.

*“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.

*“Special Taxes”* means the special taxes of the District levied on taxable property within Improvement Area EE of the District.

### Section 3. Provision of Periodic Reports.

(a) The Property Owner shall, or, upon written direction of the Property Owner the Dissemination Agent shall, not later than the Report Date, commencing March 31, 2018, file with the MSRB a Periodic Report which is consistent with the requirements of Section 4 of this Disclosure Certificate with a copy to the Trustee (if different from the Dissemination Agent), the Participating Underwriter and the City. Not later than 15 calendar days prior to the Report Date,

the Property Owner shall provide the Periodic Report to the Dissemination Agent (if different from the Property Owner). The Property Owner shall provide a written certification with (or included as a part of) each Periodic Report furnished to the Dissemination Agent (if different from the Property Owner), the Trustee (if different from the Dissemination Agent), the Participating Underwriter and the City to the effect that such Periodic Report constitutes the Periodic Report required to be furnished by it under this Disclosure Certificate. The Dissemination Agent, the Trustee, the Participating Underwriter and the City may conclusively rely upon such certification of the Property Owner and shall have no duty or obligation to review the Periodic Report. The Periodic Report may be submitted as a single document or as separate documents comprising a package, and may incorporate by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Dissemination Agent does not receive a Periodic Report by 15 calendar days prior to the Report Date, the Dissemination Agent shall send a reminder notice to the Property Owner that the Periodic Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct the Property Owner to determine whether its obligations under this Disclosure Certificate have terminated (pursuant to Section 6 below) and, if so, to provide the Dissemination Agent with a notice of such termination in the same manner as for a Listed Event (pursuant to Section 5 below). If the Property Owner does not provide, or cause the Dissemination Agent to provide, a Periodic Report to the MSRB by the Report Date as required in subsection (a) above, the Dissemination Agent shall send a notice to the MSRB in substantially the form attached hereto as Exhibit A, with a copy to the Trustee (if other than the Dissemination Agent), the City, the Participating Underwriter and the Property Owner.

(c) With respect to the Periodic Report, the Dissemination Agent shall, to the extent the Periodic Report has been furnished to it, file the Periodic Report with the MSRB and file a report with the Property Owner (if the Dissemination Agent is other than the Property Owner), the City and the Participating Underwriter certifying that the Periodic Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to and filed with the MSRB.

Section 4. Content of Periodic Reports. The Property Owner's Periodic Report shall contain or incorporate by reference the information set forth in Exhibit B, any or all of which may be included by specific reference to other documents, including official statements of debt issues of the Property Owner or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Property Owner shall clearly identify each such other document so included by reference.

In addition to any of the information expressly required to be provided in Exhibit B, the Property Owner's Periodic Report shall include such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) The Property Owner shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to itself or the Property, if material:

(i) bankruptcy or insolvency proceedings commenced by or against the Property Owner and, if known, any bankruptcy or insolvency proceedings commenced by or against any Affiliate of the Property Owner which is reasonably likely to have a significant impact on the Property Owner's ability to pay Special Taxes or to sell or develop the Property;

(ii) failure to pay any property taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property on or prior to the delinquency date to the extent that such failure is not promptly cured by the Property Owner upon discovery thereof;

(iii) filing of a lawsuit of which the Property Owner is aware against the Property Owner or an Affiliate of the Property Owner seeking damages, which is reasonably likely to have a significant impact on the Property Owner's ability to pay Special Taxes or to sell or develop the Property;

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

(v) any payment default or other material default by the Property Owner on any loan with respect to the construction of improvements on the Property.

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

(c) If the Property Owner determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Property Owner shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with the MSRB, with a copy to the Trustee, the City and the Participating Underwriter.

#### Section 6. Duration of Reporting Obligation.

(a) All of the Property Owner's obligations hereunder shall commence on the date hereof and shall terminate (except as provided in Section 11) on the earliest to occur of the following:

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

(ii) at such time as property owned by the Property Owner is no longer responsible for payment of 20% or more of the Special Taxes, or

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

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

(b) If a portion of the Property owned by the Property Owner, or any Affiliate of the Property Owner, is conveyed to a Person that, upon such conveyance, will be a Major Owner,

the obligations of the Property Owner hereunder with respect to the property in Improvement Area EE of the District owned by such Major Owner and its Affiliates may be assumed by such Major Owner or by an Affiliate thereof, and the Property Owner's obligations hereunder with respect to such property will be terminated. In order to effect such assumption, such Major Owner or Affiliate shall enter into an Assumption Agreement in form and substance reasonably satisfactory to the City and the Participating Underwriter.

Section 7. Dissemination Agent. The Property Owner may, from time to time, appoint or engage a Dissemination Agent to assist the Property Owner in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be SCG - Spicer Consulting Group. The Dissemination Agent may resign by providing thirty days' written notice to the City, the Property Owner and the Trustee.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Property Owner may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied (provided, however, that the Dissemination Agent shall not be obligated under any such amendment that modifies or increases its duties or obligations hereunder without its written consent thereto):

(a) if the amendment or waiver relates to the provisions of sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted; and

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

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

Section 10. Default. In the event of a failure of the Property Owner to comply with any provision of this Disclosure Certificate, the Trustee shall (upon written direction and only to the extent indemnified to its satisfaction from any liability, cost or expense, including fees and expenses of its attorneys), and the Participating Underwriter and any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Property Owner to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole and exclusive remedy under this Disclosure Certificate in the event of any failure of the Property Owner to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Property Owner agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents (each, an "Indemnified Party"), harmless against any loss, expense and liability which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding losses, liabilities, costs and expenses due to an Indemnified Party's negligence or willful misconduct or failure to perform its duties hereunder. The Dissemination Agent shall be paid compensation for its services provided hereunder from the Administrative Expense Account of the Special Tax Fund established under the Indenture in accordance with the Dissemination Agent's schedule of fees as amended from time to time, which schedule, as amended, shall be reasonably acceptable, and all reasonable expenses, reasonable legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Property Owner, the Trustee, the Bond owners, or any other party. The obligations of the Property Owner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Issuer:	City of Lake Elsinore 130 South Main Street Lake Elsinore, California 92530 Attention: Director of Administrative Services
To the Trustee:	Wilmington Trust, N.A. 650 Town Center Drive, Suite 600 Costa Mesa, California 92626 Attn: Corporate Trust Department Phone: (714) 384-4153
To the Participating Underwriter:	Stifel, Nicolaus & Company, Incorporated 515 South Figueroa Street, Suite 1800 Los Angeles, California 90071 Attention: Public Finance
To the Dissemination Agent:	SCG - Spicer Consulting Group 25220 Hancock Avenue, Suite 300 Murrieta, California 92562 Attention: Managing Director
To the Property Owner:	Beazer Homes Holdings, LLC [To Come]

provided, however, that all such notices, requests or communication may be made by telephone and promptly confirmed by writing. Any person may, by notice given as aforesaid to

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

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Property Owner (its successors and assigns), the Trustee, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. All obligations of the Property Owner hereunder shall be assumed by any legal successor to the obligations of the Property Owner as a result of a sale, merger, consolidation or other reorganization.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: [\_\_\_\_], 2017

BEAZER HOMES HOLDINGS, LLC,  
a Delaware limited liability company

[To Come]

ACCEPTED AND AGREED TO:

SCG - SPICER CONSULTING GROUP,  
as Dissemination Agent

By: \_\_\_\_\_  
Authorized Signatory

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE PERIODIC REPORT**

Name of Issuer: City of Lake Elsinore with respect to its Community Facilities District No. 2006-1 (Summerly) (Improvement Area EE), City of Lake Elsinore, County of Riverside, State of California

Name of Bond Issue: City of Lake Elsinore Community Facilities District No. 2006-1 (Summerly) (Improvement Area EE) Special Tax Bonds, Series 2017

Date of Issuance: [\_\_\_\_], 2017

NOTICE IS HEREBY GIVEN that Beazer Homes Holdings, LLC (the "**Major Owner**") has not provided a Periodic Report with respect to the above-named bonds as required by that certain Continuing Disclosure Certificate (Property Owner), dated [\_\_\_\_], 2017. The Major Owner anticipates that the Periodic Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

SCG - Spicer Consulting Group,  
as Dissemination Agent

By: \_\_\_\_\_  
Its: \_\_\_\_\_

cc: Trustee  
City  
Participating Underwriter  
Property Owner/Major Owner



**EXHIBIT B**

**PERIODIC REPORT  
([MARCH 31, 20\_\_/SEPTEMBER 30, 20\_\_])**

**\$[\_\_\_\_\_]
CITY OF LAKE ELSINORE
COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY)
SPECIAL TAX BONDS, SERIES 2017
(IMPROVEMENT AREA EE)**

This Periodic Report is hereby submitted under Section 4 of the Continuing Disclosure Certificate (the "Disclosure Certificate") dated [\_\_\_\_], 2017 executed by the undersigned (the "Property Owner") in connection with the issuance of the above-captioned bonds by the City of Lake Elsinore (the "City") with respect to its Community Facilities District No. 2006-1 (Summerly), City of Lake Elsinore, County of Riverside, State of California (the "District").

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

**I. Property Ownership and Development**

The information in this section is provided as of \_\_\_\_\_ (this date must be not more than 60 days before the date of this Periodic Report).

A. Property currently owned by the Property Owner in Improvement Area EE of the District (the "Property"):

Development name: \_\_\_\_\_

Number of lots (or acreage): \_\_\_\_\_

B. Status of land development or construction activities with respect to the Property:

\_\_\_\_\_
\_\_\_\_\_

C. Status of building permits and any significant amendments to land use or development entitlements for the Property:

\_\_\_\_\_
\_\_\_\_\_

D. Aggregate property in Improvement Area EE of the District sold (closed escrows), optioned or leased by the Property Owner to end users or merchant builders:

Since the Date of Issuance  
of the Bonds

Since the Last Periodic  
Report

Acres\* \_\_\_\_\_  
Lots \_\_\_\_\_  
Bldg. Sq. Ft. \_\_\_\_\_

Acres\* \_\_\_\_\_  
Lots \_\_\_\_\_  
Bldg. Sq. Ft. \_\_\_\_\_

\* For bulk land sales only (excluding sales of finished lots or completed buildings).

E. Status of any land purchase contracts with regard to the Property, whether acquisition of land in Improvement Area EE of the District by the Property Owner or sales (closed escrows) of land in Improvement Area EE of the District to other property owners, distinguishing between (i) end users (e.g., condominiums), (ii) Property Owners and (iii) merchant builders.

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## II. Legal and Financial Status of Property Owner

Unless such information has previously been included or incorporated by reference in a Periodic Report, describe any change in the legal structure of the Property Owner or the financial condition and financing plan of the Property Owner that would materially and adversely interfere with its ability to complete its development plan described in the Official Statement.

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## III. Change in Development or Financing Plans

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

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## IV. Official Statement Updates

Unless such information has previously been included or incorporated by reference in a Periodic Report, describe any other significant changes in the information relating to the Property Owner or the Property contained in the Official Statement under the heading "CURRENT AND PROPOSED DEVELOPMENT OF PROPERTY WITHIN IMPROVEMENT AREA EE - Development by Beazer" that would materially and adversely interfere with the Property Owner's ability to develop and sell the Property as described in the Official Statement.

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**V. Other Material Information**

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

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**Certification**

The undersigned Property Owner hereby certifies that this Periodic Report constitutes the Periodic Report required to be furnished by the Property Owner under the Disclosure Certificate.

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

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

Dated: \_\_\_\_\_

BEAZER HOMES HOLDINGS, LLC,  
a Delaware limited liability company

[To Come]

[CalAtlantic]

**CONTINUING DISCLOSURE CERTIFICATE  
(Property Owner)**

**\$[\_\_\_\_\_]
CITY OF LAKE ELSINORE
COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY)
SPECIAL TAX BONDS, SERIES 2017
(IMPROVEMENT AREA EE)**

This Continuing Disclosure Certificate (Property Owner) (this "Disclosure Certificate"), dated [\_\_\_\_], 2017, is executed and delivered by the undersigned (the "Property Owner") and SCG - Spicer Consulting Group as dissemination agent (the "Dissemination Agent") in connection with the issuance by the City of Lake Elsinore (the "City") of the bonds captioned above (the "Bonds") with respect to Community Facilities District No. 2006-1 (Summerly) (Improvement Area EE), City of Lake Elsinore, County of Riverside, State of California (the "District"). The Bonds are being issued pursuant to a Resolution of Issuance adopted by the City Council of the City, acting as legislative body of the District on [\_\_\_\_], 2017, and a Bond Indenture, dated as of [\_\_\_\_], 2017, (the "Indenture"), by and between the District and Wilmington Trust, N.A., as trustee (the "Trustee").

The Property Owner covenants and agrees as follows:

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

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

"Affiliate" means any person presently directly (or indirectly through one or more intermediaries) currently under managerial control of the Property Owner, and about whom information could be material to potential investors in their investment decision regarding the Bonds (including without limitation information relevant to the proposed development of the Property or the Property Owner's ability to pay the Special Taxes related to the Property prior to delinquency.

"Assumption Agreement" means an undertaking of a Major Owner, or an Affiliate thereof, for the benefit of the holders and beneficial owners of the Bonds containing terms substantially similar to this Disclosure Certificate (as modified for such Major Owner's development and financing plans with respect to Improvement Area EE of the District), whereby such Major Owner or Affiliate agrees to provide periodic reports and notices of significant events, setting forth the information described in sections 4 and 5 hereof, respectively, with respect to the portion of the property in Improvement Area EE of the District owned by such Major Owner and its Affiliates and, at the option of the Property Owner or such Major Owner, agrees to indemnify the Dissemination Agent (if any) pursuant to a provision substantially in the form of Section 11 hereof.

*“Dissemination Agent”* means SCG - Spicer Consulting Group, or any successor Dissemination Agent designated in writing by the Property Owner, and which has filed with the Property Owner, the City and the Trustee a written acceptance of such designation, and which is experienced in providing dissemination agent services such as those required under this Disclosure Certificate.

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

*“Major Owner”* means, as of any Report Date, an owner of land in Improvement Area EE of the District that is responsible in the aggregate for 20% or more of the Special Taxes in Improvement Area EE of the District anticipated to be levied at any time during the then-current fiscal year.

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

*“Official Statement”* means the final official statement executed by the City in connection with the issuance of the Bonds.

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

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

*“Person”* means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

*“Property”* means the property owned by the Property Owner in Improvement Area EE of the District.

*“Report Date”* means March 31 and September 30 of any fiscal year.

*“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.

*“Special Taxes”* means the special taxes of the District levied on taxable property within Improvement Area EE of the District.

### Section 3. Provision of Periodic Reports.

(a) The Property Owner shall, or, upon written direction of the Property Owner the Dissemination Agent shall, not later than the Report Date, commencing March 31, 2018, file with the MSRB a Periodic Report which is consistent with the requirements of Section 4 of this Disclosure Certificate with a copy to the Trustee (if different from the Dissemination Agent), the Participating Underwriter and the City. Not later than 15 calendar days prior to the Report Date,

the Property Owner shall provide the Periodic Report to the Dissemination Agent (if different from the Property Owner). The Property Owner shall provide a written certification with (or included as a part of) each Periodic Report furnished to the Dissemination Agent (if different from the Property Owner), the Trustee (if different from the Dissemination Agent), the Participating Underwriter and the City to the effect that such Periodic Report constitutes the Periodic Report required to be furnished by it under this Disclosure Certificate. The Dissemination Agent, the Trustee, the Participating Underwriter and the City may conclusively rely upon such certification of the Property Owner and shall have no duty or obligation to review the Periodic Report. The Periodic Report may be submitted as a single document or as separate documents comprising a package, and may incorporate by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Dissemination Agent does not receive a Periodic Report by 15 calendar days prior to the Report Date, the Dissemination Agent shall send a reminder notice to the Property Owner that the Periodic Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct the Property Owner to determine whether its obligations under this Disclosure Certificate have terminated (pursuant to Section 6 below) and, if so, to provide the Dissemination Agent with a notice of such termination in the same manner as for a Listed Event (pursuant to Section 5 below). If the Property Owner does not provide, or cause the Dissemination Agent to provide, a Periodic Report to the MSRB by the Report Date as required in subsection (a) above, the Dissemination Agent shall send a notice to the MSRB in substantially the form attached hereto as Exhibit A, with a copy to the Trustee (if other than the Dissemination Agent), the City, the Participating Underwriter and the Property Owner.

(c) With respect to the Periodic Report, the Dissemination Agent shall, to the extent the Periodic Report has been furnished to it, file the Periodic Report with the MSRB and file a report with the Property Owner (if the Dissemination Agent is other than the Property Owner), the City and the Participating Underwriter certifying that the Periodic Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to and filed with the MSRB.

Section 4. Content of Periodic Reports. The Property Owner's Periodic Report shall contain or incorporate by reference the information set forth in Exhibit B, any or all of which may be included by specific reference to other documents, including official statements of debt issues of the Property Owner or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Property Owner shall clearly identify each such other document so included by reference.

In addition to any of the information expressly required to be provided in Exhibit B, the Property Owner's Periodic Report shall include such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) The Property Owner shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to itself or the Property, if material:

(i) bankruptcy or insolvency proceedings commenced by or against the Property Owner and, if known, any bankruptcy or insolvency proceedings commenced by or against any Affiliate of the Property Owner which is reasonably likely to have a significant impact on the Property Owner's ability to pay Special Taxes or to sell or develop the Property;

(ii) failure to pay any property taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property on or prior to the delinquency date to the extent that such failure is not promptly cured by the Property Owner upon discovery thereof;

(iii) filing of a lawsuit of which the Property Owner is aware against the Property Owner or an Affiliate of the Property Owner seeking damages, which is reasonably likely to have a significant impact on the Property Owner's ability to pay Special Taxes or to sell or develop the Property;

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

(v) any payment default or other material default by the Property Owner on any loan with respect to the construction of improvements on the Property.

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

(c) If the Property Owner determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Property Owner shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with the MSRB, with a copy to the Trustee, the City and the Participating Underwriter.

#### Section 6. Duration of Reporting Obligation.

(a) All of the Property Owner's obligations hereunder shall commence on the date hereof and shall terminate (except as provided in Section 11) on the earliest to occur of the following:

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

(ii) at such time as property owned by the Property Owner is no longer responsible for payment of 20% or more of the Special Taxes, or

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

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

(b) If a portion of the Property owned by the Property Owner, or any Affiliate of the Property Owner, is conveyed to a Person that, upon such conveyance, will be a Major Owner,

the obligations of the Property Owner hereunder with respect to the property in Improvement Area EE of the District owned by such Major Owner and its Affiliates may be assumed by such Major Owner or by an Affiliate thereof, and the Property Owner's obligations hereunder with respect to such property will be terminated. In order to effect such assumption, such Major Owner or Affiliate shall enter into an Assumption Agreement in form and substance reasonably satisfactory to the City and the Participating Underwriter.

Section 7. Dissemination Agent. The Property Owner may, from time to time, appoint or engage a Dissemination Agent to assist the Property Owner in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be SCG - Spicer Consulting Group. The Dissemination Agent may resign by providing thirty days' written notice to the City, the Property Owner and the Trustee.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Property Owner may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied (provided, however, that the Dissemination Agent shall not be obligated under any such amendment that modifies or increases its duties or obligations hereunder without its written consent thereto):

(a) if the amendment or waiver relates to the provisions of sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted; and

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

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

Section 10. Default. In the event of a failure of the Property Owner to comply with any provision of this Disclosure Certificate, the Trustee shall (upon written direction and only to the extent indemnified to its satisfaction from any liability, cost or expense, including fees and expenses of its attorneys), and the Participating Underwriter and any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Property Owner to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole and exclusive remedy under this Disclosure Certificate in the event of any failure of the Property Owner to comply with this Disclosure Certificate shall be an action to compel performance.



Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Property Owner agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents (each, an "Indemnified Party"), harmless against any loss, expense and liability which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding losses, liabilities, costs and expenses due to an Indemnified Party's negligence or willful misconduct or failure to perform its duties hereunder. The Dissemination Agent shall be paid compensation for its services provided hereunder from the Administrative Expense Account of the Special Tax Fund established under the Indenture in accordance with the Dissemination Agent's schedule of fees as amended from time to time, which schedule, as amended, shall be reasonably acceptable, and all reasonable expenses, reasonable legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Property Owner, the Trustee, the Bond owners, or any other party. The obligations of the Property Owner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Issuer:	City of Lake Elsinore 130 South Main Street Lake Elsinore, California 92530 Attention: Director of Administrative Services
To the Trustee:	Wilmington Trust, N.A. 650 Town Center Drive, Suite 600 Costa Mesa, California 92626 Attn: Corporate Trust Department Phone: (714) 384-4153
To the Participating Underwriter:	Stifel, Nicolaus & Company, Incorporated 515 South Figueroa Street, Suite 1800 Los Angeles, California 90071 Attention: Public Finance
To the Dissemination Agent:	SCG - Spicer Consulting Group 25220 Hancock Avenue, Suite 300 Murrieta, California 92562 Attention: Managing Director
To the Property Owner:	CalAtlantic Group, Inc. [To Come]

provided, however, that all such notices, requests or communication may be made by telephone and promptly confirmed by writing. Any person may, by notice given as aforesaid to

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

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Property Owner (its successors and assigns), the Trustee, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. All obligations of the Property Owner hereunder shall be assumed by any legal successor to the obligations of the Property Owner as a result of a sale, merger, consolidation or other reorganization.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: [\_\_\_\_], 2017

CALATLANTIC GROUP, INC.,  
a Delaware corporation

[To Come]

ACCEPTED AND AGREED TO:

SCG - SPICER CONSULTING GROUP,  
as Dissemination Agent

By: \_\_\_\_\_  
Authorized Signatory

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE PERIODIC REPORT**

Name of Issuer: City of Lake Elsinore with respect to its Community Facilities District No. 2006-1 (Summerly) (Improvement Area EE), City of Lake Elsinore, County of Riverside, State of California

Name of Bond Issue: City of Lake Elsinore Community Facilities District No. 2006-1 (Summerly) (Improvement Area EE) Special Tax Bonds, Series 2017

Date of Issuance: [\_\_\_\_], 2017

NOTICE IS HEREBY GIVEN that CalAtlantic Group, Inc. (the "**Major Owner**") has not provided a Periodic Report with respect to the above-named bonds as required by that certain Continuing Disclosure Certificate (Property Owner), dated [\_\_\_\_], 2017. The Major Owner anticipates that the Periodic Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

SCG - Spicer Consulting Group,  
as Dissemination Agent

By: \_\_\_\_\_  
Its: \_\_\_\_\_

cc: Trustee  
City  
Participating Underwriter  
Property Owner/Major Owner

**EXHIBIT B**

**PERIODIC REPORT  
([MARCH 31, 20\_\_/SEPTEMBER 30, 20\_\_])**

**\$[\_\_\_\_\_]   
CITY OF LAKE ELSINORE  
COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY)  
SPECIAL TAX BONDS, SERIES 2017  
(IMPROVEMENT AREA EE)**

This Periodic Report is hereby submitted under Section 4 of the Continuing Disclosure Certificate (the "**Disclosure Certificate**") dated [\_\_\_\_], 2017 executed by the undersigned (the "**Property Owner**") in connection with the issuance of the above-captioned bonds by the City of Lake Elsinore (the "**City**") with respect to its Community Facilities District No. 2006-1 (Summerly), City of Lake Elsinore, County of Riverside, State of California (the "**District**").

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

**I. Property Ownership and Development**

The information in this section is provided as of \_\_\_\_\_ (this date must be not more than 60 days before the date of this Periodic Report).

A. Property currently owned by the Property Owner in Improvement Area EE of the District (the "**Property**"):

Development name: \_\_\_\_\_

Number of lots (or acreage): \_\_\_\_\_

B. Status of land development or construction activities with respect to the Property:

\_\_\_\_\_  
\_\_\_\_\_

C. Status of building permits and any significant amendments to land use or development entitlements for the Property:

\_\_\_\_\_  
\_\_\_\_\_

D. Aggregate property in Improvement Area EE of the District sold (closed escrows), optioned or leased by the Property Owner to end users or merchant builders:

Since the Date of Issuance  
of the Bonds

Since the Last Periodic  
Report

Acres\* \_\_\_\_\_  
Lots \_\_\_\_\_  
Bldg. Sq. Ft. \_\_\_\_\_

Acres\* \_\_\_\_\_  
Lots \_\_\_\_\_  
Bldg. Sq. Ft. \_\_\_\_\_

\* For bulk land sales only (excluding sales of finished lots or completed buildings).

E. Status of any land purchase contracts with regard to the Property, whether acquisition of land in Improvement Area EE of the District by the Property Owner or sales (closed escrows) of land in Improvement Area EE of the District to other property owners, distinguishing between (i) end users (e.g., condominiums), (ii) Property Owners and (iii) merchant builders.

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## II. Legal and Financial Status of Property Owner

Unless such information has previously been included or incorporated by reference in a Periodic Report, describe any change in the legal structure of the Property Owner or the financial condition and financing plan of the Property Owner that would materially and adversely interfere with its ability to complete its development plan described in the Official Statement.

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## III. Change in Development or Financing Plans

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

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## IV. Official Statement Updates

Unless such information has previously been included or incorporated by reference in a Periodic Report, describe any other significant changes in the information relating to the Property Owner or the Property contained in the Official Statement under the headings "CURRENT AND PROPOSED DEVELOPMENT OF PROPERTY WITHIN IMPROVEMENT AREA EE - Development by CalAtlantic" that would materially and adversely interfere with the Property Owner's ability to develop and sell the Property as described in the Official Statement.

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**V. Other Material Information**

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

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**Certification**

The undersigned Property Owner hereby certifies that this Periodic Report constitutes the Periodic Report required to be furnished by the Property Owner under the Disclosure Certificate.

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

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

Dated: \_\_\_\_\_

CALATLANTIC GROUP, INC.,  
a Delaware limited liability company

[To Come]

## APPENDIX G

### BOOK-ENTRY ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

**APPENDIX H**  
**APPRAISAL REPORT**