

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2024

NEW ISSUE – BOOK ENTRY ONLY

INSURED RATING: S&P: “__”
UNDERLYING RATING: S&P: “__”
See “RATINGS.”

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds may be subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See “TAX MATTERS.”

\$5,965,000*
CITY OF FULLERTON
COMMUNITY FACILITIES DISTRICT NO. 2
(AMERIGE HEIGHTS)
2024 SPECIAL TAX REFUNDING BONDS

Dated: Date of Delivery

Due: September 1, as shown on inside cover

Authority for Issuance. The bonds captioned above (the “2024 Bonds”) are being issued under the Mello-Roos Community Facilities Act of 1982, as amended (the “Act”); a resolution adopted on [July 16], 2024, by the City Council of the City of Fullerton (the “City”) acting as the legislative body of the City of Fullerton Community Facilities District No. 2 (Amerige Heights) (the “District”); and a Fiscal Agent Agreement dated as of August 1, 2024, (the “Fiscal Agent Agreement”), by and between the City, for and on behalf of the District, and U.S. Bank Trust Company, National Association, as fiscal agent (the “Fiscal Agent”). See “THE 2024 Bonds – Authority for Issuance.”

Security and Sources of Payment. The 2024 Bonds are payable from Special Tax Revenues (as defined in this Official Statement), which consist of special taxes levied on property within the District according to the rate and method of apportionment of special tax approved by the City Council of the City and the eligible landowner voters in the District. The 2024 Bonds are secured by a first pledge of the Special Tax Revenues and the moneys on deposit in certain funds and accounts held by the Fiscal Agent under the Fiscal Agent Agreement. See “SECURITY FOR THE 2024 BONDS.”

Use of Proceeds. The 2024 Bonds are being issued to (i) defease and refund in full a series of bonds issued previously by the City, for and on behalf of the District, captioned “\$7,570,000 City of Fullerton Community Facilities District No. 2 (Amerige Heights) 2014 Special Tax Bonds,” which are currently outstanding in the aggregate principal amount of \$6,920,000, (ii) purchase a debt service reserve policy to satisfy ___% of the initial Reserve Requirement (as defined herein) for the 2024 Bonds concurrently with the delivery of the 2024 Bonds, (iii) make a deposit into the 2024 Reserve Fund in an amount equal to the remaining ___% of the initial Reserve Requirement for the 2024 Bonds, and (iv) pay costs of issuing the 2024 Bonds. See “FINANCING PLAN.”

Municipal Bond Insurance Policy and Reserve Policy. The scheduled payment of principal of and interest on some or all of the 2024 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the 2024 Bonds by [BOND INSURER]. See “BOND INSURANCE.” The Bond Insurer will also issue a debt service reserve policy for deposit into the 2024 Reserve Fund being established for the 2024 Bonds in order to satisfy ___% of the initial Reserve Requirement (as defined herein) for the 2024 Bonds. See “SECURITY FOR THE 2024 BONDS – 2024 Reserve Fund.”

[BOND INSURANCE LOGO]

Bond Terms. Interest on the 2024 Bonds is payable semiannually on each March 1 and September 1, commencing March 1, 2025. Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months. The 2024 Bonds will be issued in integral multiples of \$5,000. The 2024 Bonds, when delivered, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the 2024 Bonds. See “THE 2024 Bonds – General Bond Terms” and APPENDIX F – “DTC and the Book-Entry Only System.”

Redemption. The 2024 Bonds are subject to optional redemption and mandatory redemption. See “THE 2024 Bonds - Redemption.”

The 2024 Bonds, the interest thereon, and any premiums payable on the redemption of any of the 2024 Bonds, are not indebtedness of the City, the District (except to the limited extent described in this Official Statement), or the State of California (the “State”) or any of its political subdivisions, and none of the City, the District (except to the limited extent described in this Official Statement) or the State or any of its political subdivisions is liable on the 2024 Bonds. Neither the faith and credit nor the taxing power of the City, the District (except to the limited extent described in this Official Statement) or the State or any of its political subdivisions is pledged to the payment of the 2024 Bonds. Except for the Special Tax Revenues (other than the Special Tax Revenues to be deposited into the Administrative Expense Fund pursuant to the Fiscal Agent Agreement), no taxes are pledged to the payment of the 2024 Bonds. The 2024

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

Bonds are not a general obligation of the City or the District but are limited obligations of the City and the District payable solely from the Special Tax Revenues (other than the Special Tax Revenues to be deposited into the Administrative Expense Fund pursuant to the Fiscal Agent Agreement), as more fully described in this Official Statement.

MATURITY SCHEDULE

(see inside cover)

This cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Investment in the 2024 Bonds involves risks that may not be appropriate for some investors. See "SPECIAL RISK FACTORS" for a discussion of special risk factors that should be considered in evaluating the investment quality of the 2024 Bonds.

The 2024 Bonds are offered when, as and if issued, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters with respect to the 2024 Bonds will be passed upon for the City by the City Attorney and by Jones Hall, A Professional Law Corporation, San Francisco, California, acting as Disclosure Counsel, and for the Underwriter by Kutak Rock, Irvine, California. It is anticipated that the 2024 Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York, on or about August __, 2024.

[Stifel Logo]

The date of this Official Statement is: _____, 2024.

* Preliminary; subject to change.

MATURITY SCHEDULE*

\$ _____ Serial Bonds
Base CUSIP: † 35982A

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
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\$ _____ % Term Bond due September 1, 20__, Yield __%, Price __%
CUSIP† No. _____

* Preliminary; subject to change.

† CUSIP Global Services (CGS) is managed on behalf of American Bankers Association by FactSet Research Systems Inc. Copyright© 2024 CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the City nor the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the 2024 Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2024 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City, the District, any other parties described in this Official Statement, or in the condition of property within the District since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the 2024 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the 2024 Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

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

Document References and Summaries. All references to and summaries of the Fiscal Agent Agreement or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Stabilization of and Changes to Offering Prices. The Underwriter may over allot or take other steps that stabilize or maintain the market prices of the 2024 Bonds at levels above those that might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the 2024 Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Exemption from Securities Laws Registration. The issuance and sale of the 2024 Bonds have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act and Section 3(a)(12) of the Exchange Act.

Estimates and Projections. 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 Exchange Act and Section 27A of the Securities Act. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

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 City does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

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

Bond Insurance Policy. _____. ("_____") makes no representation regarding the 2024 Bonds or the advisability of investing in the 2024 Bonds. In addition, _____ has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding _____ supplied by _____ and presented under the heading "BOND INSURANCE" and APPENDIX G – "Specimen Municipal Bond Insurance Policy."

CITY OF FULLERTON

CITY COUNCIL

Nick Dunlap, *Mayor*
Fred Jung, *Mayor Pro Tem*
Shana Charles, *Councilmember*
Bruce Whitaker, *Councilmember*
Ahmad Zahra, *Councilmember*

CITY OFFICIALS

Eric Levitt, *City Manager*
Ellis Chang, *Director of Administrative Services*
Lucinda Williams, MMC, *City Clerk*

BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

MUNICIPAL ADVISOR

Urban Futures, Inc.
Walnut Creek, California

SPECIAL TAX CONSULTANT

David Taussig and Associates, Inc. dba DTA
Irvine, California

FISCAL AGENT

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

VERIFICATION AGENT

Causey Demgen & Moore P.C.
Denver, Colorado

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APPENDIX F
APPENDIX G

DTC AND THE BOOK-ENTRY ONLY SYSTEM
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

[Regional Map]

[Boundary Map]

OFFICIAL STATEMENT

\$5,965,000*

CITY OF FULLERTON COMMUNITY FACILITIES DISTRICT NO. 2 (AMERIGE HEIGHTS) 2024 SPECIAL TAX REFUNDING BONDS

INTRODUCTION

This Official Statement, including the cover page, inside cover and attached appendices, is provided to furnish information regarding the bonds captioned above (the “**2024 Bonds**”) to be issued by the City of Fullerton, California (the “**City**”), County of Orange (the “**County**”), for and on behalf of the City of Fullerton Community Facilities District No. 2 (Amerige Heights) (the “**District**”).

This introduction is not a summary of this Official Statement and is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement by those interested in purchasing the 2024 Bonds. The sale and delivery of Bonds to potential investors is made only by means of the entire Official Statement.

Capitalized terms used but not defined in this Official Statement have the meanings set forth in APPENDIX C – “Summary of the Fiscal Agent Agreement – Definitions” and in APPENDIX B – “Rate and Method of Apportionment of Special Tax.”

Authority for Issuance

The 2024 Bonds are authorized to be issued under the Mello-Roos Community Facilities Act of 1982, as amended, commencing at Section 53311, et seq., of the California Government Code (the “**Act**”), a resolution (the “**Resolution of Issuance**”) adopted on [July 16], 2024, by the City Council of the City (the “**City Council**”) acting as the legislative body of the District, and a Fiscal Agent Agreement dated as of August 1, 2024, (the “**Fiscal Agent Agreement**”), between the City, for and on behalf of the District, and U.S. Bank Trust Company, National Association, as fiscal agent (the “**Fiscal Agent**”). See “THE 2024 Bonds – Authority for Issuance.”

Purpose of Issuance

The 2024 Bonds are being issued to defease and refund in full a series of bonds issued previously by the City, for and on behalf of the District, captioned “\$7,570,000 City of Fullerton Community Facilities District No. 2 (Amerige Heights) 2014 Special Tax Bonds” (the “**Prior Bonds**”). The Prior Bonds are currently outstanding in the aggregate principal amount of \$6,920,000.

Proceeds of the 2024 Bonds will also be used to (i) pay the premium for a municipal bond insurance policy, (ii) purchase a debt service reserve policy for the 2024 Bonds concurrently with the delivery of the 2024 Bonds to satisfy ___% of the initial Reserve

* Preliminary; subject to change.

Requirement with respect to the 2024 Bonds, (iii) make a deposit to the reserve fund to satisfy the remaining ___% of the initial Reserve Requirement with respect to the 2024 Bonds, and (iv) pay the costs of issuing the 2024 Bonds. See “FINANCING PLAN.”

The District

The City is in Southern California in Orange County (the “**County**”), approximately 30 miles southeast of the City of Los Angeles. The City was founded in 1887 and incorporated in 1904 and operates as a general law city. The City encompasses approximately 22.4 square miles and has a population of approximately 140,311. The City is bordered by La Habra and Brea on the north, La Mirada on the northwest, Buena Park on the west, Anaheim on the south, and Placentia on the east. The District as formed by the City in December 2011 and a landowner election was held within the District that authorized the City to incur bonded indebtedness on behalf of the District and approved the levy of special taxes pursuant to the Rate and Method of Apportionment of Special Tax (the “**Rate and Method**”). See “THE 2024 Bonds – Authority for Issuance.” The District is in the Amerige Heights Specific Plan Area, in the western part of the City, and contains approximately and consists of approximately 10 acres of property, approximately 5.4 acres of which are classified as taxable property. See “THE DISTRICT – Description and Location.”

Security for the 2024 Bonds

Security and Sources of Payment for the 2024 Bonds. The 2024 Bonds are payable from “Special Tax Revenues,” consisting of certain proceeds of an annual Special Tax to be levied on property located within the District, and from certain other funds pledged under the Fiscal Agent Agreement. See “THE 2024 Bonds” and “SECURITY FOR THE 2024 Bonds.”

Covenant to Foreclose. The City has covenanted in the Fiscal Agent Agreement to cause foreclosure proceedings to be commenced and prosecuted against parcels with delinquent installments of the Special Tax under certain circumstances. For a more detailed description of the foreclosure covenant see “SECURITY FOR THE 2024 BONDS – Covenant to Foreclose.”

2024 Reserve Fund; Reserve Policy. The Fiscal Agent Agreement establishes a debt service reserve fund (the “**2024 Reserve Fund**”) to be held by the Fiscal Agent as a reserve for the payment of principal of and interest on the 2024 Bonds. As further security for the 2024 Bonds, the District will use a portion of the proceeds of the 2024 Bonds to purchase a debt service reserve policy (the “**Reserve Policy**”) to be deposited in the 2024 Reserve Fund established under the Fiscal Agent Agreement. The Reserve Policy will satisfy ___% of the initial Reserve Requirement. See “SECURITY FOR THE 2024 BONDS – 2024 Reserve Fund.”

Bond Insurance

Concurrently with the execution and delivery of the 2024 Bonds, [BOND INSURER] (the “**Bond Insurer**”) will issue its municipal bond insurance policy for the 2024 Bonds (the “**Policy**”). The Policy guarantees the scheduled payment of principal of and interest on [some or all] of the 2024 Bonds when due as set forth in the form of the Policy included as APPENDIX G to this Official Statement. See “BOND INSURANCE.”

Redemption

The 2024 Bonds are subject to optional redemption and mandatory redemption. See “THE 2024 Bonds – Redemption.”

Risk Factors

Investment in the 2024 Bonds involves risks that may not be appropriate for some investors. See “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 considering the investment quality of the 2024 Bonds.

FINANCING PLAN

Refunding Plan

The Prior Bonds were issued by the City, for and on behalf of the District, in May 2014, and are currently outstanding in the aggregate principal amount of \$6,920,000.

All the outstanding Prior Bonds will be redeemed in full on _____, 2024 (the "**Redemption Date**"), at a redemption price equal to their outstanding principal amount, together with accrued interest to the redemption date, without premium.

In order to accomplish the refunding plan, a portion of the net proceeds of the 2024 Bonds will be deposited in an escrow fund (the "**Escrow Fund**") with U.S. Bank Trust Company, National Association, as escrow agent (the "**Escrow Agent**") pursuant to an Escrow Deposit and Trust Agreement dated as of _____, 2024 (the "**Escrow Agreement**"), between the City and the Escrow Agent. The Escrow Agent will invest \$_____ of such deposit in Federal Securities (as defined below) and hold the remaining \$_____ uninvested in cash.

"**Federal Securities**" is defined in the Fiscal Agent Agreement relating to the Prior Bonds, dated as of May 1, 2014, between the City and U.S. Bank Trust Company, National Association, as fiscal agent, to mean "(a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; and (b) any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America."

Upon such irrevocable deposit with the Escrow Agent and in accordance with the Escrow Agreement, the Prior Bonds will be legally defeased and no longer be entitled to the benefits of, or be secured by, any pledge of or lien on the Special Taxes.

Sufficiency of the deposits in the Escrow Fund established by the Escrow Agreement for those purposes will be verified by Causey Demgen & Moore P.C., certified public accountants (the "**Verification Agent**"). See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

Amounts on deposit under the Escrow Agreement are not available to pay debt service on the 2024 Bonds, except that any monies remaining in the Escrow Fund after the payments required by the Escrow Agreement are made will be transferred to the Fiscal Agent for deposit into the Bond Fund for the 2024 Bonds.

Estimated Sources and Uses of Funds

The estimated proceeds from the sale of the 2024 Bonds will be deposited into the following funds established under the Fiscal Agent Agreement:

SOURCES

Principal Amount of Bonds	\$
<i>Plus/Less: Original Issue Premium/Discount Amounts Related to Prior Bonds</i>	
<i>Total Sources</i>	\$ _____

USES

Deposit into Costs of Issuance Fund ⁽¹⁾	\$
Deposit to 2024 Reserve Fund ⁽²⁾	
Transfer to Escrow Agent ⁽³⁾	
Underwriter's Discount	
<i>Total Uses</i>	\$ _____

(1) Includes, among other things, the fees and expenses of the Municipal Advisor, Bond Counsel, Disclosure Counsel, Fiscal Agent, Escrow Agent, and Verification Agent; fees of the rating agency and Special Tax Consultant; the premiums for the Policy and the Reserve Policy; and the cost of printing the preliminary and final Official Statements.

(2) Reflects the ___% of the initial Reserve Requirement to be funded with cash from the proceeds of the 2024 Bonds; the remainder of the initial Reserve Requirement will be satisfied by the deposit of the Reserve Policy in the 2024 Reserve Fund.

(3) Will be used to defease and refund the Prior Bonds. See “– Refunding Plan” above.

THE 2024 BONDS

This section generally describes the terms of the 2024 Bonds contained in the Fiscal Agent Agreement, which is summarized in more detail in APPENDIX C. Capitalized terms used but not defined in this section are defined in APPENDIX C.

Authority for Issuance

The 2024 Bonds are issued pursuant to the Act, the Resolution of Issuance, and the Fiscal Agent Agreement. Under the Resolution of Issuance, the City Council has authorized the issuance of the Bonds in a maximum principal amount of \$7,000,000.

General Bond Terms

Dated Date, Maturity and Authorized Denominations. The 2024 Bonds will be dated their date of delivery (the “**Closing Date**”), and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The 2024 Bonds will be issued in fully registered form in integral multiples of \$5,000 each.

Interest. The 2024 Bonds will bear interest at the annual rates set forth on the inside cover page of this Official Statement, payable semiannually on each March 1 and September 1, commencing March 1, 2025 (each, an “**Interest Payment Date**”) until the principal sum of the 2024 Bonds has been paid.

Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless

- (i) it is authenticated on an Interest Payment Date, in which event it will bear interest from such date of authentication;
- (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date (as defined below) preceding such Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or
- (iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it will bear interest from the Closing Date;

provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

“**Record Date**” means the 15th day of the calendar month next preceding an Interest Payment Date whether or not such day is a business day.

DTC and Book-Entry Only System. DTC will act as securities depository for the 2024 Bonds. The 2024 Bonds will be issued as fully-registered securities registered initially in the name of Cede & Co. (DTC’s partnership nominee). See APPENDIX F – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Payments of Interest and Principal. For so long as DTC is used as depository for the 2024 Bonds, principal of, premium, if any, and interest payments on the 2024 Bonds will be made solely to DTC or its nominee, Cede & Co., as registered owner of the 2024 Bonds, for distribution to the beneficial owners of the 2024 Bonds in accordance with the procedures adopted by DTC.

Interest on the 2024 Bonds (including the final interest payment upon maturity or earlier redemption) is payable on the applicable Interest Payment Date by check of the Fiscal Agent mailed by first class mail to the registered owner thereof at such registered owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer to an account in the United States of America made on such Interest Payment Date upon written instructions of any owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which instructions will continue in effect until revoked in writing, or until such Bonds are transferred to a new owner.

The principal of the 2024 Bonds and any interest or premium on the 2024 Bonds are payable in lawful money of the United States of America upon surrender of the 2024 Bonds at the Principal Office of the Fiscal Agent.

Redemption*

Optional Redemption. The 2024 Bonds maturing on September 1, 20___, and thereafter are subject to redemption from any source of funds prior to their stated maturities, on September 1, 20___, and any date thereafter, in whole or in part, at a redemption price equal to the principal amount of the 2024 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Payment Redemption. The 2024 Bonds maturing on September 1, 20___ (the "Term Bonds"), is subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts all as set forth in the following table:

Term Bonds Maturing September 1, 20___

Redemption Date (<u>September 1</u>)	Sinking <u>Payment</u>
-------------------------------------------	---------------------------

(maturity)

Provided, however, if some but not all of the Term Bonds of a given maturity have been redeemed through optional redemption as described above, the total amount of all future Sinking Fund Payments relating to such maturity will be reduced by the aggregate principal amount of Term Bonds of such maturity so redeemed, to be allocated among such Sinking Fund Payments on a pro rata basis in integral multiples of \$5,000 as determined by the City.

* Preliminary; subject to change.

Mandatory Redemption From Special Tax Prepayments. The 2024 Bonds are subject to mandatory redemption from prepayments of Special Taxes, on the next Interest Payment Date for which notice of redemption can timely be given under the Fiscal Agent Agreement, among maturities so as to maintain substantially the same debt service profile for the 2024 Bonds as in effect prior to such redemption and by lot within a maturity, at the redemption prices set forth below (expressed as a percentage of the principal amount of the Bonds to be redeemed), together with accrued interest to the date fixed for redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
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

Purchase of Bonds In Lieu of Redemption. In lieu of redemption as described above, moneys in the Bond Fund or other funds provided by the City may be used and withdrawn by the Fiscal Agent for purchase of outstanding Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such Bonds were to be redeemed in accordance with the Fiscal Agent Agreement. Any Bonds purchased under this provision of the Fiscal Agent Agreement will be treated as outstanding Bonds, except to the extent otherwise directed by the Director of Administrative Services of the City.

Notice of Redemption. The Fiscal Agent will cause notice of any redemption to be mailed by first class mail, postage prepaid, at least 20 days but not more than 60 days prior to the date fixed for redemption, to the Securities Depositories, to one or more Information Services, and to the respective registered owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books in the Principal Office of the Fiscal Agent; but such mailing will not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of such Bonds.

The sole remedy for failure to file such notices through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) website will be an action by the holders of the Bonds in mandamus for specific performance or a similar remedy to compel performance.

Any notice of an optional redemption may provide that the proposed redemption is conditioned upon receipt of sufficient funds to accomplish the redemption. The City has the right to rescind any notice of the optional redemption of Bonds by written notice to the Fiscal Agent on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute a default under the Fiscal Agent Agreement. The City and the Fiscal Agent have no liability to the owners or any other party related to or arising from such rescission of redemption. The Fiscal Agent will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Fiscal Agent Agreement.

Selection of Bonds for Redemption. Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the Bonds of any maturity or any given portion thereof, the Fiscal Agent will select the Bonds to be redeemed from all Bonds or such given portion thereof not previously called for redemption as directed by the City or in the absence of direction by the City, on a pro rata basis among series and maturities, so as to maintain substantially the same debt service profile for the Bonds as in effect prior to the redemption, and by lot in any manner the Fiscal Agent in its sole discretion deems appropriate.

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

Registration, Transfer or Exchange

The following provisions regarding the exchange and transfer of the Bonds apply only during any period in which the Bonds are not subject to DTC's book-entry system. While the Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC. See APPENDIX F – "DTC and the Book-Entry Only System."

Registration. The Fiscal Agent will keep, or cause to be kept, at its Principal Office sufficient books for the registration and transfer of the Bonds, which will show the series number, date, amount, rate of interest and last known owner of each Bond, and will at all times be open to inspection by the City during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the ownership of the Bonds as described below. The City and the Fiscal Agent will treat the owner of any Bond whose name appears on the Bond register as the absolute owner of such Bond for any and all purposes, and the City and the Fiscal Agent will not be affected by any notice to the contrary. The City and the Fiscal Agent may rely on the address of the owner as it appears in the Bond register for any and all purposes.

Transfer and Exchange. 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 such person's duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Fiscal Agent.

Bonds may be exchanged at the Principal Office of the Fiscal Agent solely for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity.

The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange will be paid by the City from the Administrative Expense Fund. The Fiscal Agent will collect from the owner requesting such transfer or exchange any tax or other governmental charge required to be paid with respect to such transfer or exchange.

Whenever any Bond or Bonds are surrendered for transfer or exchange, the City will execute and the Fiscal Agent will authenticate and deliver a new Bond or Bonds, for a like aggregate principal amount.

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

Scheduled Debt Service

The following is the debt service schedule for the 2024 Bonds, assuming no optional redemption.

Period Ending September 1	Principal	Interest	Total Debt Service
2025	\$	\$	\$
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
Total	\$	\$	\$

SECURITY FOR THE 2024 BONDS

This section generally describes the security for the 2024 Bonds set forth in the Fiscal Agent Agreement, which is summarized in more detail in APPENDIX C. Capitalized terms used but not defined in the section are defined in APPENDIX C.

General

The payment of the principal of, and interest and any premium on, the Bonds is secured by a first pledge of the following:

- all of the Special Tax Revenues (other than the Special Tax Revenues to be deposited in the Administrative Expense Fund pursuant to the Fiscal Agent Agreement), and
- all moneys deposited in the Bond Fund and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund.

In addition, the 2024 Bonds are secured by a first pledge (which pledge is effected in the manner and to the extent provided in the Fiscal Agent Agreement) of all moneys and Qualified Reserve Account Credit Instruments deposited in the 2024 Reserve Fund. The moneys and Qualified Reserve Account Credit Instruments in the 2024 Reserve Fund (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the 2024 Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the 2024 Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the Fiscal Agent Agreement.

“**Special Tax Revenues**” is defined in the Fiscal Agent Agreement to mean the proceeds of the Special Taxes received by the City, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon, but does not include any interest in excess of the interest due on the Bonds or any penalties collected in connection with any such foreclosure.

In addition, the City covenants and agrees in the Fiscal Agent Agreement that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the Special Tax Revenues and payable from such Special Tax Revenues on a parity with debt service due on the Bonds.

Amounts in the Costs of Issuance Fund and the Administrative Expense Fund are *not* pledged to the repayment of the Bonds. The amounts transferred to the Escrow Agent are *not* in any way pledged to pay the debt service on the Bonds, except to the extent described under the heading “FINANCING PLAN – Refunding Plan.”

Limited Obligation

The 2024 Bonds, the interest thereon, and any premiums payable on the redemption of any of the 2024 Bonds, are not indebtedness of the City, the District (except to the limited extent described in this Official Statement), or the State of California (the “**State**”) or any of its political subdivisions, and none of the City, the District (except to the limited extent described in this Official Statement) or the State or any of its political subdivisions is liable on the 2024 Bonds. Neither the faith and credit nor the taxing power of the City, the District (except to the limited

extent described in this Official Statement) or the State or any of its political subdivisions is pledged to the payment of the 2024 Bonds. Except for the Special Tax Revenues (other than the Special Tax Revenues to be deposited into the Administrative Expense Fund pursuant to the Fiscal Agent Agreement), no taxes are pledged to the payment of the 2024 Bonds. The 2024 Bonds are not a general obligation of the City or the District but are limited obligations of the City and the District payable solely from the Special Tax Revenues (other than the Special Tax Revenues to be deposited into the Administrative Expense Fund pursuant to the Fiscal Agent Agreement), as more fully described in this Official Statement.

Special Taxes

Levy of Special Taxes. The City will agree in the Fiscal Agent Agreement to comply with all requirements of the Act to assure the timely collection of Special Taxes, including the enforcement of delinquent Special Taxes.

Under the Act and the Fiscal Agent Agreement, the City is required to levy the Special Taxes each year in an amount required for the following (in each case taking into account the balances on hand in the funds held under the Fiscal Agent Agreement):

- the timely payment of principal of and interest on any outstanding Bonds becoming due and payable during the ensuing calendar year;
- any necessary replenishment or expenditure of the 2024 Reserve Fund;
and
- an amount estimated to be sufficient to pay the Administrative Expenses (including amounts necessary to discharge any rebate obligation) during the ensuing year.

See “– Special Tax Fund” below.

The Fiscal Agent Agreement provides that, in general, the Special Taxes are payable and will be collected in the same manner and at the same time and in the same installment as the general taxes on real property, and will have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property.

Rate and Method

General. The Special Tax is levied and collected according to the Rate and Method, which provides the means for determining the amount of the Special Tax that will need to be collected each Fiscal Year from the property in the District subject to the Special Tax (the “**Taxable Property**”).

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

Special Tax Requirement. Annually, at the time of levying the Special Tax, the CFD Administrator will determine the amount of money to be collected from Taxable Property in the District (the “**Special Tax Requirement**”), which will be the amount required in any Fiscal Year to pay the following:

- (i) regularly scheduled debt service on all Outstanding Bonds to be paid from the Special Tax levy during such Fiscal Year;
- (ii) periodic costs with respect to the Bonds, including but not limited to, costs of credit enhancement and federal rebate payments due in the calendar year commencing in such Fiscal Year;
- (iii) a proportionate share of Administrative Expenses;
- (iv) any amounts required to establish or replenish any reserve funds for all Outstanding Bonds;
- (v) reasonably anticipated Special Tax delinquencies based on the delinquency rate for the Special Tax in the previous Fiscal Year; and
- (vi) directly for the acquisition or construction of Authorized Facilities, provided that the inclusion of such amount does not cause an increase in the Special Tax levy on Undeveloped Property and/or Developed Property not classified as Occupied Property.

Method of Apportionment. The Rate and Method provides that commencing with Fiscal Year 2012-13 and for each following Fiscal Year, the CFD Administrator shall determine the Special Tax Requirement and shall provide for the levy of the Special Tax which shall be levied in the District each Fiscal Year as follows:

First: The Special Tax shall be levied on each Assessor’s Parcel of Occupied Property in an amount equal to 100% of the applicable Maximum Special Tax;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor’s Parcel of Developed Property not classified as Occupied Property at up to 100% of the applicable Maximum Special Tax;

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

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor’s Parcel of Taxable Property Owner Association Property and Taxable Public Property at 100% of the Maximum Special Tax for Taxable Property Owner Association Property and Taxable Public Property, as needed to satisfy the Special Tax Requirement.

Notwithstanding the above, in any Fiscal Year the Special Taxes may be levied Proportionately at less than 100% of the Maximum Special Tax in step one (above) when (i) it is no longer necessary to levy a Special Tax pursuant to steps two through four above in order to

meet the Special Tax Requirement, and (ii) all authorized CFD No. 2 Bonds have already been issued, or the Council has covenanted that it will not issue any additional CFD No. 2 Bonds (except refunding bonds) to be supported by the Special Tax.

Further, notwithstanding the above, the Rate and Method provides that under no circumstances will the Special Tax levied against any Assessor's Parcel of Residential Property for which a certificate of occupancy for private residential use has been issued be increased by more than ten percent per Fiscal Year as a consequence of delinquency or default by the owner of any other Assessor's Parcel within the District. Such limitation of Residential Property shall not apply to Non-Residential Property, which will still be subject to 100% of the applicable Maximum Special Tax.

As of Fiscal Year 2024-25, all Taxable Property within the District is considered Occupied Property.

Covenant to Foreclose

Sale of Property for Nonpayment of Taxes. The Fiscal Agent Agreement provides that, in general, the Special Tax is to be collected in the same manner as ordinary ad valorem property taxes are collected and, except as provided in the special covenant for foreclosure described below and in the Act, is to be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ad valorem property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

Foreclosure Under the Act. Under Section 53356.1 of the Act, if any delinquency occurs in the payment of the Special Tax, the City may order the institution of a Superior Court action to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale.

While judicial foreclosure is not mandatory, the City has covenanted in the Fiscal Agent Agreement that on or about March 30 and July 30 of each Fiscal Year, the Director of Administrative Services will compare the amount of Special Taxes previously levied in the District to the amount of Special Tax Revenues received by the City, and if delinquencies have occurred, proceed as follows:

Individual Delinquencies. If the Director of Administrative Services determines that any single parcel subject to the Special Tax in the District is delinquent in the payment of three or more installments of the Special Taxes, then the Director of Administrative Services shall, within 60 days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of each parcel delinquent in the payment of three or more installments of the Special Taxes, and (if the delinquency remains uncured) shall commence foreclosure proceedings within 120 days of such determination against each parcel delinquent in the payment of three or more installments of the Special Taxes; provided, however, that the City need not commence or pursue such proceedings with respect to any property owned by a single property owner who is delinquent in the payment of Special Taxes in an amount less than \$6,000 if both (i) the total amount of delinquent Special Taxes for the prior Fiscal Year for the entire District does not exceed 5% of the total Special Taxes due and payable for such prior Fiscal Year, and (ii) the amount available to be drawn on

the cash or the Qualified Reserve Account Credit Instrument on deposit in the 2024 Reserve Fund is not less than the Reserve Requirement.

Aggregate Delinquencies. If the Director of Administrative Services determines that (i) the total amount of delinquent Special Tax for the prior Fiscal Year for the entire District, (including the total of delinquencies described above under “ – *Individual Delinquencies*”), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, or (ii) there are 10 or fewer owners of real property within the District, determined by reference to the latest available secured property tax roll of the County, the City shall notify or cause to be notified all property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 60 days of such determination, and (if the delinquency remains uncured) shall commence foreclosure proceedings within 120 days of such determination against each parcel of land in the District with a Special Tax delinquency.

Sufficiency of Foreclosure Sale Proceeds; Foreclosure Limitations and Delays. No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. The Act does not require the City to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale.

Section 53356.6 of the Act requires that property sold by foreclosure be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75% of the outstanding Bonds is obtained. However, under Section 53356.6 of the Act, the City, as judgment creditor, is entitled to purchase any property sold at foreclosure using a “credit bid,” where the City could submit a bid crediting all or part of the amount required to satisfy the judgment for the delinquent amount of the Special Tax. If the City becomes the purchaser under a credit bid, the City must pay the amount of its credit bid into the Bond Fund, but this payment may be made up to 24 months after the date of the foreclosure sale.

Foreclosure by court action is subject to normal litigation delays, the nature and extent of which are largely dependent on the nature of any defense by the debtor and the Superior Court calendar. Also, the ability of the City to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the property owner if the property is owned by or in receivership of the Federal Deposit Insurance Corporation (the “**FDIC**”). See “SPECIAL RISK FACTORS – Exempt Properties.”

No Applicable Teeter Plan

The County has adopted a Teeter Plan for the collection and payment of taxes pursuant to which it pays 100% of the amount levied to participating agencies without regard to the actual amount of collections. However, the City does not participate in the County’s Teeter Plan and, as a result, the City receives only the Special Taxes actually collected. Penalties and interest received on the collection of delinquent Special Taxes are paid to the City but are not pledged under the Fiscal Agent Agreement to repay the Bonds.

Special Tax Fund

Deposits. Under the Fiscal Agent Agreement, the City must remit, immediately upon receipt, all Special Tax Revenues received by it to the Fiscal Agent for deposit into the Special Tax Fund.

Notwithstanding the foregoing,

(i) any Special Tax Revenues constituting payment of the portion of the Special Tax levy for Administrative Expenses will be separately identified by the Director of Administrative Services and will be deposited by the Fiscal Agent in the Administrative Expense Fund;

(ii) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes will be separately identified by the Director of Administrative Services and will be disposed of by the Fiscal Agent first, for transfer to the Bond Fund to pay any past due debt service on the Bonds; second, for transfer to the 2024 Reserve Fund to the extent needed to replenish the amount then on deposit in the 2024 Reserve Fund up to the Reserve Requirement or to reimburse any draws on a Qualified Reserve Account Credit Instrument, as applicable; and third, to be held in the Special Tax Fund for disbursements pursuant to the Fiscal Agent Agreement.

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

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

(i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers to the Bond Fund from the 2024 Reserve Fund, such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date and any past due principal or interest on the Bonds not previously paid from the collection of Special Tax delinquencies described in subparagraph (ii) under “– Deposits” above; and

(ii) to the 2024 Reserve Fund an amount, if any, needed to reimburse the Bond Insurer for any draws on the Qualified Reserve Account Credit Instrument on deposit in the 2024 Reserve Fund or deposit cash so that the available amount thereunder is equal to the Reserve Requirement.

On each September 2, any amounts remaining in the Special Tax Fund will be transferred to the Administrative Expense Fund.

Bond Fund

Deposits. The Fiscal Agent will hold the moneys in the Bond Fund for the benefit of the City and the owners of the Bonds and will disburse those funds for the payment of the principal of, and interest and any premium on, the Bonds as described below.

Disbursements. On each Interest Payment Date, the Fiscal Agent will withdraw from the Bond Fund and pay to the owners of the Bonds the principal of, and interest and any premium, due and payable on such Interest Payment Date on the Bonds. Notwithstanding the foregoing, amounts in the Bond Fund as a result of a transfer pursuant to clause (ii) under "- Special Tax Payments – Deposits" above will be immediately disbursed by the Fiscal Agent to pay past due amounts owing on the Bonds.

At least five Business Days prior to each Interest Payment Date, the Fiscal Agent will determine if the amounts then on deposit in the Bond Fund are sufficient to pay the debt service due on the Bonds on the next Interest Payment Date.

In the event that amounts in the Bond Fund are insufficient for the purpose set forth in the preceding paragraph with respect to any Interest Payment Date, the Fiscal Agent shall draw on cash or on the Qualified Reserve Account Credit Instrument on deposit in the 2024 Reserve Fund, in accordance with the provisions of the Fiscal Agent Agreement, to the extent of amounts available to be drawn thereon, to cover the amount of such Bond Fund insufficiency related to the 2024 Bonds. Amounts so drawn from cash or on the Qualified Reserve Account Credit Instrument on deposit in the Reserve Fund shall be deposited in the Bond Fund.

If, after the foregoing transfers and application of such funds for their intended purposes, there are insufficient funds in the Bond Fund to make the payments of principal of, and interest and any premium due and payable on, the Bonds on an Interest Payment Date, the Fiscal Agent will apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, if any, and then to payment of principal due on the Bonds by reason of sinking payments. If there are insufficient funds to make the corresponding payment for all of the then Outstanding Bonds, then each such payment will be made ratably to the Owners of the Bonds based on the then Outstanding principal amount of the Bonds, without regard to the existence of a funded debt service reserve. Any sinking payment not made as scheduled will be added to the sinking payment to be made on the next sinking payment date.

2024 Reserve Fund

Establishment of Fund. The 2024 Reserve Fund is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent to the credit of the Fiscal Agent will deposit a portion of the proceeds of the 2024 Bonds in an amount equal to ___% of the initial Reserve Requirement (defined below) for the 2024 Bonds, and the Reserve Policy, which deposit, as of the Closing Date, satisfies the remaining ___% of the initial Reserve Requirement (defined below). Thereafter, additional deposits may be made to the Reserve Fund from time to time consisting of amounts transferred from the Special Tax Fund.

Cash and the Reserve Policy in the 2024 Reserve Fund will be held by the Fiscal Agent for the benefit of the Owners of the 2024 Bonds as a reserve for the payment of the principal of, and interest and any premium on, the 2024 Bonds, and will be subject to a lien in favor of the Owners of the 2024 Bonds.

“Reserve Requirement” is defined in the Fiscal Agent Agreement to mean \$_____, which is the least of (a) Maximum Annual Debt Service on the 2024 Bonds as of the Closing Date, (b) 125% of average Annual Debt Service on the 2024 Bonds as of the Closing Date, (c) 10% of the original principal amount of the 2024 Bonds (or, if the 2024 Bonds have more than a de minimis amount of original issue discount or premium, 10% of the issue price of the 2024 Bonds), and (d) \$_____ the initial reserve requirement for the 2024 Bonds.

Use of 2024 Reserve Fund. Except as described in the succeeding paragraphs, all amounts deposited in the 2024 Reserve Fund, and all amounts drawn on the Reserve Policy, will be used by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund to pay debt service on the 2024 Bonds as described under “– Bond Fund.” So long as the Reserve Requirement is being maintained partially in cash and partially with the Reserve Policy or another Qualified Reserve Account Credit Instrument, the cash shall be first used to meet any deficiency that may exist from time to time in the Bond Fund with respect to the 2024 Bonds, before any draws are made on the Reserve Policy or such other Qualified Reserve Account Credit Instrument.

Transfer of Excess Reserve Requirement. Whenever, on or before any Interest Payment Date, or on any other date at the request of the Director of Administrative Services, the amount in the 2024 Reserve Fund exceeds the Reserve Requirement, the Fiscal Agent shall provide written notice to the Director of Administrative Services of the amount of the excess and shall transfer an amount of cash equal to the excess from the 2024 Reserve Fund to the Bond Fund, to be used to pay interest on the 2024 Bonds on the next Interest Payment Date.

Transfer for Rebate Purposes. Cash on deposit in the 2024 Reserve Fund shall be withdrawn for purposes of making rebate payments to the federal government to comply with the tax covenants of the Fiscal Agent Agreement, upon receipt by the Fiscal Agent of an Officer’s Certificate specifying the amount to be withdrawn and to the effect that such amount is needed for rebate purposes; provided, that no amounts in the 2024 Reserve Fund shall be used for rebate unless the amount in the 2024 Reserve Fund following such withdrawal equals the Reserve Requirement.

Transfer When Balance Exceeds Outstanding 2024 Bonds. If the balance of cash in the 2024 Reserve Fund exceeds the amount required to redeem or pay the outstanding 2024 Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall, upon the written request of the Director of Administrative Services, transfer any cash on deposit in the 2024 Reserve Fund to the Bond Fund to be applied, on the redemption date to the payment and redemption, in accordance with the Fiscal Agent Agreement, of all of the outstanding 2024 Bonds. If the cash so transferred exceeds the amount required to pay and redeem the outstanding 2024 Bonds, the balance of cash in the 2024 Reserve Fund shall be transferred to the City to be used by the City for any lawful purpose. Notwithstanding the foregoing, no cash shall be transferred from the 2024 Reserve Fund until after (i) the calculation of any amounts due to the federal government pursuant to the tax covenants of the Fiscal Agent Agreement and withdrawal of any such amount described above under “– *Transfer for Rebate Purposes*” for purposes of making such payment to the federal government; and (ii) payment of any fees and expenses due to the Fiscal Agent.

Transfer Upon Special Tax Prepayment. Whenever Special Taxes are prepaid and 2024 Bonds are to be redeemed with the proceeds of such prepayment pursuant to the Fiscal Agent Agreement, a proportionate amount of the cash on deposit in the 2024 Reserve Fund (determined on the basis of the principal of 2024 Bonds to be redeemed and the original principal of the 2024 Bonds, but in any event not in excess of the amount that will leave the balance in the 2024 Reserve Fund following the proposed redemption equal to the Reserve Requirement) shall be transferred on the Business Day prior to the redemption date by the Fiscal Agent to the Bond Fund to be applied to the redemption of the Bonds pursuant to the Fiscal Agent Agreement.

See APPENDIX C for a description of the timing, purpose and manner of disbursements from the 2024 Reserve Fund.

Qualified Reserve Account Credit Instruments

The City shall have the right at any time to direct the Fiscal Agent to release cash or the Reserve Policy from the Reserve Fund by tendering to the Fiscal Agent: (i) a Qualified Reserve Account Credit Instrument (defined below) issued in an amount equal to the Reserve Requirement, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the 2024 Bonds to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Fiscal Agent, and upon delivery by the City to the Fiscal Agent of a written calculation of the amount of cash permitted to be released from the 2024 Reserve Fund, the Fiscal Agent shall transfer such cash from the 2024 Reserve Fund to the Bond Fund to be used for the purposes thereof.

“Qualified Reserve Account Credit Instrument” means (i) the Reserve Policy and (ii) an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company and deposited with the Fiscal Agent, provided that all of the following requirements are met at the time of acceptance thereof by the Fiscal Agent: (a) in the case of a commercial bank, the long-term credit rating of such bank at the time of delivery of the irrevocable standby or direct-pay letter of credit is at least "A" from S&P or "A" from Moody's and, in the case of an insurance company, the claims paying ability of such insurance company at the time of delivery of the insurance policy or surety bond is at least "A" from S&P, or "A" from Moody's or, if not rated by S&P or Moody's but rated by A.M. Best & Company, is rated at the time of delivery in the highest rating category by A.M. Best & Company; (b) such letter of credit, insurance policy or surety bond has a term of at least 12 months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released; and (d) the Fiscal Agent is authorized pursuant to the terms of such letter of credit, insurance policy or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Bond Fund for the purpose of making payments with respect to the 2024 Bonds.

If the Reserve Requirement is being maintained partially in cash and partially with a Qualified Reserve Account Credit Instrument, the cash shall be first used to meet any deficiency which may exist from time to time in the Bond Fund with respect to the 2024 Bonds.

If the Reserve Requirement is being maintained with two or more Qualified Reserve Account Credit Instruments (including the Reserve Policy), any draw to meet a deficiency which may exist from time to time in the Bond Fund with respect to the 2024 Bonds shall be pro-rata with respect to each such instrument.

The City will have no obligation to replace a Qualified Reserve Account Credit Instrument (including the Reserve Policy) or to fund the 2024 Reserve Fund with cash if, at any time that the 2024 Bonds are Outstanding, the provider of the Qualified Reserve Account Credit Instrument is downgraded or becomes insolvent, if there is an unscheduled termination of the Qualified Reserve Account Credit Instrument, or if for any reason insufficient amounts are available to be drawn upon under the Qualified Reserve Account Credit Instrument; provided, however, that the City shall reimburse the provider, in accordance with the terms of the Qualified Reserve Account Credit Instrument, for any draws made thereon.

Investment of Moneys in Funds

Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent or the Director of Administrative Services will be invested by the Fiscal Agent or the Director of Administrative Services, as applicable, in Permitted Investments. See APPENDIX C for a definition of “Permitted Investments.”

No Parity Bonds

The City covenants in the Fiscal Agent Agreement that it will not issue any additional bonds or other indebtedness payable from the Special Tax Revenues on a parity with the 2024 Bonds, other than Refunding Bonds issued to partially refund outstanding 2024 Bonds.

Subordinate Bonds

Under the Fiscal Agent Agreement, the City may issue bonds or other debt secured by a pledge of Special Tax Revenues, including bonds issued to refund all or a portion of any then-outstanding Bonds, subordinate to the pledge of such Special Tax Revenues securing the Bonds.

Limits on Special Tax Waivers and Bond Tenders

The City will covenant in the Fiscal Agent Agreement not to exercise its rights under the Act to waive delinquency and redemption penalties related to the Special Taxes or to declare a Special Tax penalties amnesty program if to do so would materially and adversely affect the interests of the owners of the Bonds.

The City will further covenant not to permit the tender of Bonds in payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the City having insufficient Special Tax Revenues to pay the principal of and interest on the Bonds remaining outstanding following such tender.

THE DISTRICT

Formation and Background

The District was formed by the City in December 2011 pursuant to the Act. Pursuant to the Act, the City Council adopted the necessary resolutions stating its intent to establish the District, to authorize the levy of Special Taxes on taxable property within the boundaries of the District, and to have the District incur bonded indebtedness. Following public hearings conducted pursuant to the provisions of the Act, the City Council adopted resolutions establishing the District and calling special elections to submit the levy of the Special Taxes and the incurring of bonded indebtedness to the qualified voters of the District. The qualified voters in the District at the time of its creation authorized the District to incur bonded indebtedness in an aggregate principal amount not to exceed \$11,000,000 and approved the rate and method of apportionment of the Special Taxes for the District. Pursuant to change proceedings of the District approved on February 19, 2013 (the "Change Proceedings"), a resolution declaring completion of Change Proceedings was adopted by the legislative body of the District for the purpose of amending and restating the list of facilities authorized to be financed by the District. Pursuant to a request by the owner of the property within the District provided on June 6, 2013, the maximum special tax rates for Developed Property within the District originally approved by the legislative body of the District were reduced from the rates set forth in the Rate and Method of Apportionment of Special Taxes (the "Original Rate and Method"), as evidenced by the recording of a Second Amendment to Notice of Special Tax Lien with the County of Orange on August 6, 2013 (the "Second Amendment to Notice"). The Original Rate and Method as amended by the Second Amendment to Notice (collectively, the "Rate and Method") is attached in APPENDIX B hereto. The City Council of the City acts as the legislative body of the District.

Description and Location

General. The District is located in the City and consists of approximately 10 acres of property, approximately 5.4 acres of which are classified as taxable property. The District is fully built out and contains 113 residential units. A boundary map of the District is provided in the front of this Official Statement. See APPENDIX A – "GENERAL INFORMATION ABOUT THE CITY OF FULLERTON AND ORANGE COUNTY" for certain demographic and economic information on the area in and surrounding the District.

Property Ownership and Development Status. The District is fully built out and consists of 113 residential units, all owned by individual homeowners.

Assessed Property Values

General Information Regarding Assessed Values. Article XIII A of the California Constitution ("Proposition 13") defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 bill under 'full cash value', or, thereafter, the appraised value of real property when purchased or newly constructed or when a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Because of the general limitation to 2% per year in increases in full cash value of properties that remain in the same ownership, the County tax roll does not reflect values uniformly proportional to actual market values.

In addition, assessed values can be reduced as a result of two basic types of property tax assessment appeals under State law: (a) a base-year assessment appeal, which involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction, and (b) a Proposition 8 appeal, which can result (as a result of a property owner's application) if factors occur causing a decline in the market value of the property to a level below the property's then-current assessed value.

Accordingly, the gross assessed valuation presented in this Official Statement may not necessarily be representative of the actual market value of certain property in the District.

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

Assessed Valuation History. The table below shows assessed valuations for fiscal years 2014-15 through 2023-24 with respect to the Taxable Property.

**Table 1
City of Fullerton
Community Facilities District No. 2 (Amerige Heights)
Assessed Value History**

Fiscal Year	No. of Parcels Levied⁽¹⁾	Assessed Land Value⁽²⁾	Assessed Improvement Value⁽²⁾	Total Assessed Value⁽²⁾	% Change
2014-15	115	\$27,177,817	\$11,490,628	\$38,668,445	N/A
2015-16	113	34,361,917	24,176,018	58,537,935	51.38%
2016-17	113	41,162,415	33,355,988	74,518,403	27.30
2017-18	113	48,646,781	38,575,239	87,222,020	17.05
2018-19	113	51,018,071	39,046,981	90,065,052	3.26
2019-20	113	52,155,784	39,889,740	92,045,524	2.20
2020-21	113	53,338,255	40,882,637	94,220,892	2.36
2021-22	113	54,255,827	41,472,652	95,728,479	1.60
2022-23	113	56,811,647	42,434,661	99,246,308	3.67
2023-24	113	59,138,777	43,411,310	102,550,087	3.33

(1) During the 2014-15 fiscal year, two parcels, which were both owned by the same party, prepaid their Special Taxes.

(2) Based on the Orange County Assessor Roll for each applicable fiscal year.

Source: Orange County Assessor rolls, as compiled by David Taussig and Associates, Inc. dba DTA.

No Appraisal. The City has not commissioned an appraisal of the property in the District. Accordingly, all property value information for the Taxable Property contained in this Official Statement is based on the Fiscal Year 2023-24 County Assessor's values.

Direct and Overlapping Public Debt

Contained within the boundaries of the District are certain overlapping local agencies providing public services and assessing property taxes, assessments, special taxes and other charges. Many of these local agencies have outstanding debt.

The current and estimated direct and overlapping obligations affecting the property in the District are shown in the following table. The table was prepared by California Municipal Statistics, Inc., and is included for general information purposes only. The City has not reviewed this report for completeness or accuracy and makes no representation in connection therewith.

Table 2
City of Fullerton
Community Facilities District No. 2 (Amerige Heights)
Direct and Overlapping Debt
As of July 1, 2024

[To come from Cal Muni]

Source: California Municipal Statistics, Inc.

- (1) Excludes issue to be sold.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Value-to-Lien Burden Ratio Distribution

The following table sets forth the distribution of assessed value-to-lien burden ratios among parcels of Taxable Property, based on their Rate and Method Land Use Class.

Table 3
City of Fullerton
Community Facilities District No. 2 (Amerige Heights)
Assessed Value-to-Lien Ratios
(Allocated by Rate and Method Land Use Class)

Rate and Method Land Use Class	No. of Units/ Acres as of 5/1/24 ⁽¹⁾	Maximum Fiscal Year 2024-25 Special Tax ⁽²⁾	Projected Fiscal Year 2024-25 Special Tax ⁽³⁾	Pro Rata Share of 2024 Bonds ^{(4)*}	Assessed Value ⁽⁵⁾	Estimated Assessed Value-to-Lien Ratios ^{(6)*}
Developed Property						
Res. Prop. (2,400 sq. ft. or greater)	0	\$0	\$0	\$0	\$0	N/A
Res. Prop. (2,200 to less than 2,400 sq. ft.)	80	382,737	290,811	4,258,940	73,610,958	17.28
Res. Prop. (2,000 to less than 2,200 sq. ft.)	33	153,318	116,494	1,706,060	28,939,129	16.96
Res. Prop. (Less than 2,000 sq. ft.)	0	0	0	0	0	N/A
Non-Residential Property	0.00	0	0	0	0	N/A
Undeveloped Property	0.00	0	0	0	0	N/A
TOTAL	N/A	\$536,055	\$407,305	\$5,965,000	\$102,550,087	17.19

* Preliminary; subject to change.

(1) Based on the classification of Taxable Property pursuant to the Rate and Method for Fiscal Year 2024-2025.

(2) Based on the Maximum Special Tax levy against 113 parcels of Taxable Property classified as Developed Property for Fiscal Year 2024-2025.

(3) Based on the levy to fund administrative expenses (\$10,000 in Fiscal Year 2024-2025, escalating at 2% annually) and debt service on the 2024 Bonds, and the development status for the Fiscal Year 2024-2025 Special Tax levy.

(4) There are currently no overlapping assessment districts and/or other community facilities districts encumbering the District (excluding debt secured by any tax or assessment established and levied on an individual Assessor's Parcel pursuant to a contractual agreement or other voluntary consent by the owner thereof). The 2024 Bonds are allocated based on a proportionate share of the Projected Fiscal Year 2024-2025 Special Tax.

(5) Based on the Orange County Assessor Roll for Fiscal Year 2023-2024.

(6) Calculated by dividing the Assessed Value column by the Pro Rata Share of 2024 Bonds column.

Source: David Taussig and Associates, Inc. dba DTA.

The following table sets forth the distribution of assessed value-to-lien burden ratios among parcels of Taxable Property, based on their value-to-lien burden category.

**Table 4
City of Fullerton
Community Facilities District No. 2 (Amerige Heights)
Assessed Value-to-Lien Burden Ratios**

Value-to-Lien Burden Category	No. of Taxable Parcels	Projected Fiscal Year 2024-25 Special Tax⁽¹⁾	% of Projected Fiscal Year 2024-25 Special Tax	Pro Rata Share of 2024 Bonds^{(2)*}	Assessed Value⁽³⁾	Estimated Assessed Value-to-Lien Burden Ratio^{(4)*}
25.00:1 and above	0	\$0	0.00%	\$0	\$0	N/A
20.00:1 to 24.99:1	9	32,507	7.98	476,066	10,703,760	22.48
15.00:1 to 19.99:1	103	371,268	91.15	5,437,237	91,213,291	16.78
10.00:1 to 14.99:1	1	3,530	0.87	51,697	633,036	12.15
Less than 10:00:1	0	0	0.00	0	0	N/A
	113	\$407,305	100.00%	\$5,965,000	102,550,087	17.19

* Preliminary; subject to change.

- (1) Based on the levy to fund administrative expenses (\$10,000 in Fiscal Year 2024-2025, escalating at 2% annually) and debt service on the 2024 Bonds, and the development status for the Fiscal Year 2024-2025 Special Tax levy.
- (2) There are currently no overlapping assessment districts and/or other community facilities districts encumbering the District (excluding debt secured by any tax or assessment established and levied on an individual Assessor's Parcel pursuant to a contractual agreement or other voluntary consent by the owner thereof). The 2024 Bonds are allocated based on a proportionate share of the Projected Fiscal Year 2024-2025 Special Tax.
- (3) Based on the Orange County Assessor Roll for Fiscal Year 2023-2024.
- (4) Calculated by dividing the Assessed Value column by the Pro Rata Share of 2024 Bonds column.

Source: David Taussig and Associates, Inc. dba DTA.

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

In comparing the aggregate assessed value of the real property within the District and the principal amount of the 2024 Bonds, it should be noted that an individual parcel may only be foreclosed upon to pay delinquent installments of the Special Taxes attributable to that parcel. The principal amount of the outstanding Bonds is not allocated pro-rata among the parcels within the District; rather, the total Special Taxes have been allocated among the parcels within the District according to the Rate and Method.

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

Delinquencies

The following table is a summary of Special Tax levies, collections and delinquency for fiscal years 2014-15 through 2023-24 based on amounts levied and outstanding delinquencies as of June 30 of each fiscal year.

Table 5
City of Fullerton
Community Facilities District No. 2 (Amerige Heights)
Special Tax Levies, Collections and Delinquency Rates
Fiscal Years 2014-15 Through 2023-24

Fiscal Year	Number of Parcels Subject to Levy	Annual Special Tax Levied	As of June 30 Fiscal Year End				As of June 30, 2024		
			Amount Collected	Amount Delinquent ⁽¹⁾	Number of Parcels Delinquent	Percent Delinquent	Remaining Amount Delinquent ⁽¹⁾	Remaining Parcels Delinquent	Remaining Percent Delinquent
2014-15	86	\$334,578	\$328,690	\$5,887	2	1.76%	\$0	0	0.00%
2015-16	113	409,657	409,657	0	0	0.00	0	0	0.00
2016-17	112 ⁽²⁾	412,214	408,556	3,658	2	0.89	0	0	0.00
2017-18	113	421,925	420,042	1,883	1	0.45	0	0	0.00
2018-19	113	435,532	427,870	7,662	2	1.76	0	0	0.00
2019-20	113	441,040	429,402	11,638	5	2.64	0	0	0.00
2020-21	113	445,526	441,550	3,976	2	0.89	0	0	0.00
2021-22	113	454,210	452,183	2,027	1	0.45	0	0	0.00
2022-23	113	463,239	459,105	4,134	1	0.89	0	0	0.00
2023-24	113	451,016	437,044	13,972	5	3.10	13,972	5	3.10

(1) Delinquent Amount does not include penalties, interest or fees.

(2) One undeveloped lot was not subject to the levy of the Special Tax during Fiscal Year 2016-17.

Source: City of Fullerton and Orange County Tax Collector, as compiled by David Taussig and Associates, Inc. dba DTA.

Sample Property Tax Bill

The following table reflects the estimated property tax bill of representative property in the District for fiscal year 2023-24.

Table 6
City of Fullerton
Community Facilities District No. 2 (Amerige Heights)
Sample Property Tax Bill
Fiscal Year 2023-24

<u>Description</u>	<u>Residential Plan 1</u>	<u>Residential Plan 2</u>	<u>Residential Plan 3</u>
Residential Land Use Type	Detached	Detached	Detached
Unit Size	2,031 sq. ft.	2,303 sq. ft.	2,303 sq. ft.
Number of Units	33	37	43
Average Assessed Value ⁽¹⁾	\$876,940	\$904,820	\$933,310
Less: Homeowner Exemption	(\$7,000)	(\$7,000)	(\$7,000)
Equals: Estimated Net Taxable Assessed Value ⁽²⁾	\$869,940	\$897,820	\$926,310
	<u>Percent of Total AV</u>	<u>Projected Amount</u>	<u>Projected Amount</u>
<u>Ad Valorem Property Taxes</u> ⁽²⁾⁽³⁾			<u>Projected Amount</u>
Base Property Tax	1.00000%	\$8,699	\$8,978
North OC Community College District G.O. Bonds	0.01715%	149	154
Fullerton Joint Union, High School District G.O. Bonds	0.02442%	212	219
Fullerton School District G.O. Bonds	0.01735%	151	156
Metropolitan Water District G.O. Bonds	<u>0.00350%</u>	<u>30</u>	<u>31</u>
Subtotal Ad Valorem Property Tax Rates/Taxes	1.06242%	\$9,241	\$9,538
			<u>Projected Amount</u>
<u>Parcel Charges, Assessments and Special Taxes</u> ⁽⁴⁾			
Metropolitan Water District Water Standby Charge		\$11	\$11
Orange County Vector Control Charge		2	2
Orange County Mosquito, Fire and Disease Control Assessment		9	9
Orange County Sanitation District Sewer User Fee		358	358
City of Fullerton CFD No. 2 Projected Special Tax ⁽⁵⁾		<u>3,530</u>	<u>3,635</u>
Subtotal Parcel Charges, Assessments and Special Taxes		\$3,910	\$4,015
Projected Total Property Taxes		\$13,151	\$13,553
Projected Total Effective Tax Rate (% of Assessed Value)		1.500%	1.498%

(1) Based on the average assessed value for properties that have closed to individual homeowners identified on the Orange County Assessor Roll for Fiscal Year 2023-2024.

(2) Estimated Net Taxable Assessed Value and ad valorem taxes incorporate owner-occupied AV exemption of \$7,000.

(3) Based on the Fiscal Year 2023-2024 ad valorem rates for the tax rate area(s) encompassing the project. Rates subject to change in future years.

(4) Based on charges identified on the Fiscal Year 2023-2024 property tax bills for the project. Rates subject to change in future years.

(5) Based on the Fiscal Year 2024-2025 Projected Special Tax.

Source: Orange County Treasurer-Tax Collector, as compiled by David Taussig and Associates, Inc. dba DTA.

Debt Service Coverage

Based on the annual debt service for the 2024 Bonds, the Special Taxes levied at the maximum special tax rates under the Rate and Method, less the priority administrative expense amount and assuming no delinquencies, would generate in each Fiscal Year not less than 110% of debt service payable with respect to the 2024 Bonds. Pursuant to Section 53321(d) of the Government Code, the Special Tax levied against any Assessor's parcel for which an occupancy permit for private residential use has been issued shall not be increased as a consequence of delinquency or default by the owner of any other Assessor's parcel within the District by more than 10% above the amount that would have been levied in the fiscal year had there never been any such delinquencies of defaults.

BOND INSURANCE

[To come from insurer]

SPECIAL RISK FACTORS

The purchase of the 2024 Bonds described in this Official Statement involves a degree of risk that may not be appropriate for some investors. The following includes a discussion of some of the risks which should be considered before making an investment decision. 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 2024 Bonds. There can be no assurance that other risk factors will not become material in the future.

Limited Obligation

The City has no obligation to pay principal of and interest on the 2024 Bonds if Special Tax collections are delinquent or insufficient, other than from amounts, if any, on deposit in the 2024 Reserve Fund or funds derived from the tax sale or foreclosure and sale of parcels for Special Tax delinquencies. Neither the City nor the District is obligated to advance funds to pay debt service on the 2024 Bonds.

Levy and Collection of the Special Tax

The principal source of payment of principal of and interest on the 2024 Bonds is the proceeds of the annual levy and collection of the Special Tax against property within the District. The annual levy of the Special Tax is subject to the annual Special Tax rate authorized in the Rate and Method. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the 2024 Bonds.

Because the Special Tax formula set forth in the Rate and Method is not based on property value, the levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular parcels of Taxable Property and the amount of the levy of the

Special Tax against those parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of the parcels of Taxable Property and their proportionate share of debt service on the 2024 Bonds, and certainly not a direct relationship.

The following are factors that might cause the levy of the Special Tax on any particular parcel of Taxable Property to vary from the Special Tax that might otherwise be expected:

- Reduction in the number of parcels of Taxable Property for such reasons as acquisition of Taxable Property by a governmental entity and failure of the government to pay the Special Tax based upon a claim of exemption or, in the case of the federal government or an agency thereof, immunity from taxation, thereby resulting in an increased tax burden on the remaining taxed parcels.
- Failure of the owners of Taxable Property to pay the Special Tax and delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, thereby resulting in an increased tax burden on the remaining parcels.

Except as set forth above under “SECURITY FOR THE 2024 BONDS – Special Taxes” and “– Rate and Method,” the Fiscal Agent Agreement provides that the Special Tax is to be collected in the same manner as ordinary ad valorem property taxes are collected and, except as provided in the special covenant for foreclosure described in “SECURITY FOR THE 2024 BONDS – Covenant to Foreclose” and in the Act, is subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ordinary ad valorem property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County.

If sales or foreclosures of property are necessary, there could be a delay in payments to owners of the 2024 Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the City of the proceeds of sale if the 2024 Reserve Fund is depleted. See “SECURITY FOR THE 2024 BONDS – Covenant to Foreclose.”

Potential Consequences of Future 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 2024 Bonds are derived, are customarily billed to the properties within the District 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.

Pursuant to Section 53321(d) of the Government Code, the Special Tax levied against any Assessor’s parcel for which an occupancy permit for private residential use has been issued will not be increased as a consequence of delinquency or default by the owner of any other Assessor’s parcel within the District by more than ten percent (10%) above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults.

See “SECURITY FOR THE 2024 BONDS — Covenant to Foreclose,” for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Fiscal Agent Agreement, in the event of delinquencies in the payment of Special Taxes. See “SPECIAL RISK FACTORS — Bankruptcy and Foreclosure” below, for a discussion of the

policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes and assessments and limitations on the City's ability to foreclose on the lien of the Special Taxes in certain circumstances

Payment of Special Tax is Not a Personal Obligation of the Property Owners

An owner of Taxable Property is not personally obligated to pay the Special Taxes. Rather, the Special Taxes are an obligation running only against the parcels of Taxable Property. If, after a default in the payment of the Special Tax and a foreclosure sale by the City, the resulting proceeds are insufficient, taking into account other obligations also constituting a lien against the affected parcels of Taxable Property, the City has no recourse against the owner.

Assessed Valuations

The City has not commissioned an appraisal of the parcels in the District in connection with the issuance of the 2024 Bonds. Therefore, the estimated valuations of all Taxable Property in the District set forth in this Official Statement are based on the County Assessor's values. The assessed value is not an indication of what a willing buyer might pay for a property. The assessed 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 the District could be sold for the assessed value if that property should become delinquent and subject to foreclosure proceedings.

Property Values

The value of Taxable Property within the District is a critical factor in determining the investment quality of the 2024 Bonds. If a property owner defaults in the payment of the Special Tax, the City's only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. Although land in the District is substantially developed, land values could be adversely affected by economic and other factors beyond the City's control, such as a general economic downturn, adverse judgments in pending or future litigation that could affect the scope, timing or viability of remaining development, relocation of employers out of the area, stricter land use regulations, shortages of water, electricity, natural gas or other utilities, destruction of property caused by earthquake, wildfire, flood or other natural disasters, environmental pollution or contamination, or unfavorable economic conditions.

Natural Disasters. The value of the Taxable Property in the future can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements and private improvements on the Taxable Property and the continued habitability and enjoyment of such private improvements. In addition to many other potential natural disasters, the areas in and surrounding the City and the District may be subject to the following risks:

- **Seismic Activity.** The area encompassed by the Taxable Property, like that in much of California, may be subject to unpredictable seismic activity. The City is located within a regional network of several active and potentially active faults. Eight faults could potentially cause damage in the City. Only one, the 17-mile long Norwalk Fault, actually traverses the City. To date, there have been no earthquakes

along the Norwalk Fault with a Richter magnitude of greater than 5.0. Other faults within the vicinity of the City are the Whittier/Elsinore Fault, the Newport/Inglewood Fault, the Sierra Madre/San Fernando/Santa Susana Fault, the Palos Verdes Fault, the San Jacinto Fault and the San Andreas Fault.

- **Drought.** As with much of the State, the City experiences recurring drought as a result of its climate conditions. Droughts impact public health and safety related to both water supply and wildfire risk, and may impact overall economic activities and outputs. On October 19, 2021, the Governor declared a Statewide drought state of emergency and requested that all water users voluntarily reduce water use by 15%. While some drought-related water restrictions were eased in May 2023, no assurance can be given that drought conditions will not continue in future years or, subside only to return in the future, potentially impacting the value of Taxable Property within the District, or economic activity within the City.
- **Wildfire.** In recent years, wildfires have caused extensive damage to cities throughout the State. In some instances, entire neighborhoods have been destroyed. Areas affected by wildfires may be more prone to flooding and mudslides. In addition to the direct impact of wildfires on health and safety and property damage, the smote from wildfires has negatively impacted the quality of life in the City and may have short-term and future impacts on residential and commercial activity in the City. Recent wildfires in the State have been driven in large measure by drought conditions and low humidity. Experts expect that California will continue to be subject to wildfire conditions as a result of changing weather patterns due to climate change. While the City is not in a fire hazard severity zone and the City believes the possibility of wildfire damage within the City is low, there can be no assurances that wildfires will not occur within the City or the region or that the City will not be negatively impacted by sustained smoky conditions caused by wildfires. Damage resulting from such an event could have a material adverse effect on the value of Taxable Property within the District.
- **Flood.** Like most of California, the City is subject to unpredictable seasonal rainfall, with periods of intense and sustained precipitation occurring every few years. Neither the District, nor the City more generally, is located within the 100-year floodplain.

Other natural disasters could include, without limitation, landslides, dam failure, canal failure, droughts or tornadoes. One or more natural disasters could occur and could result in damage to improvements of varying seriousness. The damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost, or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances there could be significant delinquencies in the payment of Special Taxes, and the value of the Taxable Property may well depreciate or disappear.

Legal Requirements. Other events that may affect the value of Taxable Property include changes in the law or application of the law. Such changes may include, without limitation, local growth control initiatives, local utility connection moratoriums and local application of statewide tax and governmental spending limitation measures.

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

Further, it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the existence, currently, on the parcel 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. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a parcel that is realizable upon a delinquency.

Other Possible Claims Upon the Value of Taxable Property

While the Special Taxes are secured by the Taxable Property, the security only extends to the value of such Taxable Property that is not subject to priority and parity liens and similar claims.

The table in the section entitled “THE DISTRICT – Direct and Overlapping Public Debt” shows the presently outstanding amount of governmental obligations (with stated exclusions), the tax or assessment for which is or may become an obligation of one or more of the parcels of Taxable Property.

In addition, other governmental obligations may be authorized and undertaken or issued in the future, the tax, assessment or charge for which may become an obligation of one or more of the parcels of Taxable Property and may be secured by a lien on a parity with the lien of the Special Tax securing the 2024 Bonds.

In general, as long as the Special Tax is collected on the County tax roll, the Special Tax and all other taxes, assessments and charges also collected on the tax roll are of equal priority. In the event of such foreclosure proceedings, the Special Taxes will generally be on a parity with the other taxes, assessments and charges, and will share the proceeds of such foreclosure proceedings on a pro-rata basis. Although the Special Taxes will generally have priority over non-governmental liens on a parcel of Taxable Property, regardless of whether the non-governmental liens were in existence at the time of the levy of the Special Tax or not, this result may not apply in the case of bankruptcy. See “– Bankruptcy and Foreclosure Delays” below.

Exempt Properties

The Rate and Method provides that, if any property within the District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or

by gift or devise, the Special Tax may, in certain circumstances described therein, no longer 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, to the extent necessary to cover outstanding debt, is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. If the federal government or another non-taxable entity successfully takes the position that property owned by it and subject to the Special Tax becomes exempt from taxation, the Special Tax will be reallocated to the remaining taxable properties within the District, subject to the limitation of the maximum authorized rate of levy on each parcel. This could result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the timely payment of the Special Tax.

Moreover, if a substantial portion of land within the District became exempt from the Special Tax because of public ownership, or otherwise, the Maximum Special Tax which could be levied upon the remaining acreage might not be sufficient to pay the principal and interest on the Bonds when due and a default could occur with respect to the payment of such principal and interest.

FDIC/Federal Government Interests in Properties

General. The ability of the City to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the FDIC, the Federal National Mortgage Association, 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 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 City 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 City 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, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2023 Bonds are outstanding.

FDIC. In the event that any financial institution making any loan which is secured by real property within Improvement Area No. 2 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 City 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 Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit has issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from Mello-Roos special taxes.

The City 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 No. 2 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 2024 Reserve Fund and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the 2024 Bonds.

No investigation has been made as to whether the FDIC, Fannie Mae, Freddie Mac, or any other governmental entity currently owns or has an interest in any property in the District.

Depletion of 2024 Reserve Fund

The 2024 Reserve Fund is to be maintained at an amount equal to the Reserve Requirement. See “SECURITY FOR THE 2024 BONDS – 2024 Reserve Fund.” The 2024 Reserve Fund will be used to pay principal of and interest on the 2024 Bonds if insufficient funds are available from the proceeds of the levy and collection of the Special Tax against property within the District. If the 2024 Reserve Fund is depleted, it can be replenished from the proceeds of the levy and collection of the Special Taxes that exceed the amounts to be paid to the 2024 Bond owners under the Fiscal Agent Agreement. However, because the Special Tax levy is limited to the maximum annual Special Tax rates, it is possible that no replenishment would be possible if the Special Tax proceeds, together with other available funds, remain insufficient to pay all such amounts. Thus, it is possible that the 2024 Reserve Fund will be depleted and not be replenished by the levy and collection of the Special Taxes.

Risks Associated with the Reserve Policy Provider

The City may elect to fund the 2024 Reserve Fund with a Reserve Policy. The City can provide no assurances that the provider of the Reserve Policy will be able to meet its obligations under the Reserve Policy, if and when required to do so. In addition, any change in the ratings of the provider could impact the price of the 2024 Bonds in the secondary market.

Bankruptcy and Foreclosure Delays

The payment of the Special Tax and the ability of the City to foreclose the lien of a delinquent unpaid Special Tax, as discussed in “SECURITY FOR THE 2024 Bonds,” may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State of California relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the 2024 Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

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

In addition, the amount of any lien on property securing the payment of delinquent Special Taxes could be reduced if the value of the property were determined by the bankruptcy court to have become less than the amount of the lien, and the amount of the delinquent Special Taxes in excess of the reduced lien could then be treated as an unsecured claim by the court. Any such stay of the enforcement of the lien for the Special Tax, or any such delay or non-payment, would increase the likelihood of a delay or default in payment of the principal of and interest on the 2024 Bonds and the possibility of delinquent Special Taxes not being paid in full.

Disclosure to Future Purchasers

The City has recorded a notice of the Special Tax lien in the Office of the County Recorder. 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 property in the District or the lending of money secured by property in the District. The Act requires the subdivider of a subdivision (or its agent or representative) to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with these 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.

Cyber Security

The City, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the City is potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. No assurance can be given that the City's efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the City or the District, or the administration of the 2024 Bonds. The City is also reliant on other entities and service providers in connection with the administration of the 2024 Bonds, including without limitation the County tax collector for the levy and collection of Special Taxes, the Fiscal Agent, and the Dissemination Agent. No assurance can be given that the City, the District and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

No Acceleration Provisions

The 2024 Bonds do not contain a provision allowing for their acceleration in the event of a payment default or other default under the terms of the 2024 Bonds or the Fiscal Agent Agreement. So long as the 2024 Bonds are in book-entry form, DTC will be the sole Bond owner and will be entitled to exercise all rights and remedies of Bond holders.

Impact of Certain Events on Tax Exemption

As discussed under the caption "TAX MATTERS," interest on the 2024 Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the 2024 Bonds were issued as a result of future acts or omissions of the City in violation of its covenants in the Fiscal Agent Agreement. The Fiscal Agent Agreement does not contain a special redemption feature triggered by the occurrence of an event of taxability. As a result, if interest on the 2024 Bonds were to become includable in gross income for purposes of federal income taxation, the 2024 Bonds would continue to remain outstanding until maturity unless earlier redeemed pursuant to optional or mandatory redemption or redemption upon prepayment of the Special Taxes. See "THE 2024 BONDS – Redemption."

Future legislative proposals, if enacted into law, clarification of the Tax Code (defined herein) or court decisions may cause interest on the 2024 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Bondowners from realizing the full current benefit of the tax status of such interest.

IRS Audit of Tax-Exempt Bond Issues

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 2024 Bonds will be selected for audit by the IRS. It is also possible that the market value of such Bonds might be affected as a result of such an audit of such Bonds (or by an audit of similar bonds or securities).

Impact of Legislative Proposals, Clarifications of the Tax Code and Court Decisions on Tax Exemption

Future legislative proposals, if enacted into law, clarification of the Tax Code (as defined under “TAX MATTERS”) or court decisions may cause interest on the 2024 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Bondholders from realizing the full current benefit of the tax status of such interest.

The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2024 Bonds. Prospective purchasers of the 2024 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation.

Voter Initiatives and State Constitutional Provisions

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Since 1978, the voters have exercised this power through the adoption of Proposition 13 and similar measures, including Proposition 218, which was approved in the general election held on November 5, 1996, and Proposition 26, which was approved on November 2, 2010.

Proposition 218. Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment, added Articles XIIC and XIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. 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 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 the legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt.

Proposition 26. On November 2, 2010, California voters approved Proposition 26, entitled the “Supermajority Vote to Pass New Taxes and Fees Act.” Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State

Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes require a majority vote and taxes for specific purposes (“special taxes”) require a two-thirds vote. The Special Taxes and the 2024 Bonds were each authorized by not less than a two-thirds vote of the landowners within the District who constituted the qualified electors at the time of such voted authorization, and the statute of limitations period for any challenges to the formation of the District and the levy of the Special Taxes has expired. The City believes, therefore, that issuance of the 2024 Bonds does not require the conduct of further proceedings under the Act, Proposition 218 or Proposition 26.

Like their antecedents, Proposition 218 and Proposition 26 have undergone, are likely to undergo, both judicial and legislative scrutiny.

For example, in August 2014, in *City of San Diego. v. Melvin Shapiro*, an Appellate Court invalidated an election held by the City of San Diego to authorize the levying of special taxes on hotels City-wide pursuant to a City charter ordinance creating a convention center facilities district which specifically defined the electorate to consist solely of (1) the owners of real property in the City on which a hotel is located, and (2) the lessees of real property owned by a governmental entity on which a hotel is located. The court held that such landowners and lessees are neither “qualified electors” of the City for purposes of Article XIII A, Section 4 of the California Constitution, nor a proper “electorate” under Article XIII C, Section 2(d) of the California Constitution. The court specifically noted that the decision did not require the Court to consider the distinct question of whether landowner voting to impose special taxes under Section 53326(b) of the Act (which was the nature of the voter approval through which the District was formed) violates the California Constitution in districts that lack sufficient registered voters to conduct an election among registered voters. Accordingly, this case should have no effect on the levy of the Special Taxes.

The City cannot predict the ultimate outcome or effect of any such judicial scrutiny, legislative actions, or future initiatives. These initiatives, and any future initiatives, may affect the collection of fees, taxes and other types of revenue by local agencies such as the City. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the 2024 Bonds.

Risks Associated with Bond Insurance

Before the delivery of the 2024 Bonds, the City will pay the premiums for the Policy and the Reserve Policy. The City can provide no assurances that the Bond Insurer will be able to meet its obligations under the Policy or the Reserve Policy, if and when required to do so. In addition, any change in the ratings of the Bond Insurer could impact the price of the 2024 Bonds in the secondary market.

Public Health Emergencies

In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. Pandemic diseases arising in the future could have significant adverse health and financial impacts throughout the world, leading to loss of jobs and personal financial hardships, and/or actions by federal, State and local governmental authorities to contain or mitigate the effects of an outbreak.

Taxpayer assistance measures may include deferral of due dates of property taxes, which was an assistance program during the COVID-19 pandemic, and with or without a deferral some taxpayers may be unable to make their property and Special Tax payments. No assurance can be given that the property tax payment dates will not be deferred in the future, which may cause a delay in the receipt of Special Taxes. In addition, home values may be affected by a reduction in demand stemming from personal finances, or general widespread economic circumstances resulting from pandemic diseases.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the 2024 Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Prices of bond 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.

No assurance can be given that the market price for the 2024 Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Code), or changes in interpretation of the Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the 2024 Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the 2024 Bonds or obligations that present similar tax issues as the 2024 Bonds.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2024 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the 2024 Bonds may be subject to the corporate alternative minimum tax

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the 2024 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the 2024 Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a 2024 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a 2024 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "bond premium" for purposes of federal income taxes and State of California personal income taxes.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2024 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2024 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2024 Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2024 Bonds who purchase the 2024 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2024 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2024 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such 2024 Bonds is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the 2024 Bond (said term being the shorter of the 2024 Bond's maturity date or its call date). The amount of bond premium amortized each year reduces the adjusted basis of the owner of the 2024 Bond for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a 2024 Bond is amortized each year over the term to maturity of the 2024 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized 2024 Bond premium is not deductible for federal income tax purposes. Owners of premium 2024 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax

advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2024 Bonds.

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

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2024 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2024 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the 2024 Bonds, or as to the consequences of owning or receiving interest on the 2024 Bonds, as of any future date. Prospective purchasers of the 2024 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the 2024 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2024 Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the 2024 Bonds, the ownership, sale or disposition of the 2024 Bonds, or the amount, accrual or receipt of interest on the 2024 Bonds.

LEGAL MATTERS

Legal Opinions

Concurrently with the issuance of the 2024 Bonds, Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, will render its opinion substantially in the form set forth in APPENDIX D to this Official Statement. Certain legal matters with respect to the 2024 Bonds will be passed upon for the City and the District by Jones Hall, A Professional Law Corporation, San Francisco, California, acting as Disclosure Counsel.

No Litigation

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

RATING

S&P Global Ratings is expected to assign its municipal bond rating of “___” to the 2024 Bonds with the understanding that ___ will issue the Policy concurrently with the delivery of the 2024 Bonds. S&P Global Ratings has assigned an underlying rating of “___” to the 2024 Bonds.

Such rating reflects only the views of such rating agency, and an explanation of the significance of the rating may be obtained by contacting the rating agency at: S&P Global Ratings, 55 Water Street, New York, New York 10041. Such rating is not a recommendation to buy, sell or hold the 2024 Bonds. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by such organizations, if in the rating agency’s judgment circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2024 Bonds.

MUNICIPAL ADVISOR

Urban Futures, Inc., Walnut Creek, California (the “**Municipal Advisor**”), is a California corporation registered as an “Independent Registered Municipal Advisor” with the Securities Exchange Commission and Municipal Securities Rulemaking Board, serving as financial advisor to the City. The Municipal Advisor does not underwrite, trade or distribute municipal or other public securities. The Municipal Advisor has assisted the City in connection with the planning, structuring, sale and issuance of the 2024 Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of or to assume responsibilities for the accuracy, completeness or fairness of the information contained in this Official Statement not provided by the Municipal Advisor.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore P.C., Certified Public Accountants, Denver, Colorado, independent accountants, upon delivery of the 2024 Bonds, will deliver one or more reports on the mathematical accuracy of certain computations contained in schedules provided to them relating to the sufficiency of moneys and securities deposited into the Escrow Fund to pay, when due, the principal, whether at maturity or upon prior redemption, interest and redemption premium requirements of the Prior Bonds.

UNDERWRITING

The 2024 Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”), at a purchase price of \$_____ (which represents the aggregate principal amount of the 2024 Bonds (\$_____)) less an Underwriter's discount of \$_____).

The purchase agreement relating to the 2024 Bonds provides that the Underwriter will purchase all of the 2024 Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase agreement.

The Underwriter may offer and sell the 2024 Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

PROFESSIONAL FEES

In connection with the issuance of the 2024 Bonds, fees or compensation payable to certain professionals are contingent upon the issuance and delivery of the 2024 Bonds. Those professionals include:

- Jones Hall, a Professional Law Corporation, as Bond Counsel and Disclosure Counsel;
- Urban Futures, Inc., as Municipal Advisor;
- Stifel, Nicolaus & Company, Incorporated, as Underwriter;
- Kutak Rock LLP, as Counsel to the Underwriter;
- Causey Demgen & Moore P.C., Certified Public Accountants, as verification agent; and
- U.S. Bank Trust Company, National Association, as Fiscal Agent.

CONTINUING DISCLOSURE

The City will covenant for the benefit of owners of the 2024 Bonds to provide certain financial information and operating data relating to the District and the 2024 Bonds by not later than nine months after the end of the City's fiscal year (currently March 31 each year based on the City's current fiscal year end of June 30) (the “**Annual Report**”) and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the “**Rule**”). The specific nature of the information to be contained in the Annual Report or the notices of listed events is set forth in APPENDIX E.

The City, on its own behalf and on behalf of related entities, has entered into a number of prior continuing disclosure undertakings under the Rule in connection with the issuance of long-term obligations, and has provided annual financial information and event notices in accordance with those undertakings. During the past five years, the City or its related entities have failed to comply with prior undertakings as follows: (i) the annual report for Fiscal Year 2018-19 related to the Prior Bonds was filed one day late, (ii) budget documents for Fiscal Years 2020-21, 2021-22, and 2022-23 related to the City's Taxable Judgment Obligation Refunding Bonds, Series 2021, were filed between 93 and 824 days late, and (iii) the annual report for Fiscal Year 2020-21 related to the City's 2014 Water Revenue Refunding Bonds and

the City of Fullerton Public Financing Authority's 2010 Lease Revenue Bonds, Series A, was filed 37 days late.

Any failure by the City to comply with the provisions of its undertaking will not constitute a default under the Fiscal Agent Agreement (although owners of the 2024 Bonds will have any remedy available at law or in equity as provided in the undertaking). Nevertheless, a failure to comply must be reported in accordance with the Rule. Such a failure may adversely affect the transferability and liquidity of the 2024 Bonds.

To ensure compliance with its continuing disclosure undertakings under the Rule in the future, the City has appointed the City's Director of Administrative Services to coordinate the preparation and filing of annual disclosure reports in accordance with the City's disclosure undertakings and has adopted policies and procedures related thereto. The City has also engaged David Taussig and Associates, Inc. dba DTA to serve as its dissemination agent and assist the City in complying with its continuing disclosure undertakings.

EXECUTION

The execution and delivery of this Official Statement have been duly authorized by the City on behalf of the District.

CITY OF FULLERTON, CALIFORNIA,
for and on behalf of
CITY OF FULLERTON COMMUNITY
FACILITIES DISTRICT NO. 2
(AMERIGE HEIGHTS)

By: _____
Ellis Chang,
Director of Administrative Services
of the City of Fullerton

APPENDIX A

GENERAL INFORMATION ABOUT THE CITY OF FULLERTON AND ORANGE COUNTY

*The following information concerning the City of Fullerton (the "**City**") and Orange County (the "**County**") are included only for the purpose of supplying general information regarding the community. The 2024 Bonds are not a debt of the City, the County, the State of California (the "**State**") or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.*

General

The City. The City is located in Southern California, approximately 30 miles southeast of the City of Los Angeles, and covers approximately 22.4 square miles. The City, first settled in 1887 and incorporated in 1904, operates as a general law city, governed by a non-partisan, five-member City Council elected to serve staggered four-year terms.

The City provides the full range of services normally associated with a municipality, including police and fire protection, highways and streets, parks and recreation, library, planning and zoning, building and engineering, various maintenance services and administration. Parking and airport facilities, water, sewer and storm drainage area also provided. The school districts in the City are separate governmental entities which receive no funding from the City.

The County. The County encompasses 798 square miles in Southern California, bordered on the north by Los Angeles and San Bernardino Counties, on the east by Riverside County, on the southeast by San Diego County and on the west and southwest by the Pacific Ocean. There are 34 cities within the County.

Municipal Government

The City is a general law city and is governed by a City Council of five representatives. City Council members were historically elected city-wide on an at-large basis for staggered four-year terms. Effective November 2018, the City Council members are now elected by district.

Population

The following table lists population estimates for the City, the County and the State of California for the last five calendar years, as of January 1.

CITY OF FULLERTON, ORANGE COUNTY AND STATE OF CALIFORNIA
Population Estimates
Calendar Years 2020 through 2024, as of January 1

<u>Year</u>	<u>City of Fullerton</u>	<u>Orange County</u>	<u>State of California</u>
2020	143,876	3,186,989	39,538,223
2021	141,614	3,172,352	39,327,868
2022	141,929	3,158,071	39,114,785
2023	140,756	3,141,065	39,061,058
2024	140,311	3,150,835	39,128,162

Source: California State Department of Finance, as of January 1.

Employment and Industry

The unemployment rate in Orange County was 3.7 percent in April 2024, down from a revised 3.9 percent in March 2024, and above the year-ago estimate of 2.9 percent. This compares with an unadjusted unemployment rate of 4.8 percent for California and 3.5 percent for the nation during the same period.

The following table summarizes the civilian labor force, employment and unemployment in the County for calendar years 2019 through 2023.

**ANAHEIM-SANTA ANA-IRVINE METROPOLITAN DIVISION
(ORANGE COUNTY)
Civilian Labor Force, Employment and Unemployment
(Annual Averages)
(March 2023 Benchmark)**

	2019	2020	2021	2022	2023
Civilian Labor Force ⁽¹⁾	1,613,900	1,563,800	1,557,200	1,579,300	1,588,900
Employment	1,568,400	1,424,300	1,464,100	1,528,500	1,532,400
Unemployment	45,500	139,500	93,100	50,700	56,500
Unemployment Rate	2.8%	8.9%	6.0%	3.2%	3.6%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	1,900	1,900	2,000	1,700	1,700
Mining and Logging	500	400	400	300	300
Construction	106,100	101,300	102,200	105,300	104,600
Manufacturing	160,100	150,100	149,800	155,400	156,500
Wholesale Trade	81,300	76,800	77,500	79,000	80,800
Retail Trade	150,600	137,600	143,400	145,500	146,100
Trans., Warehousing, Utilities	29,500	29,600	31,100	33,800	35,200
Information	26,000	24,100	24,000	24,300	22,600
Finance and Insurance	77,700	77,700	78,100	72,200	63,300
Professional and Business Services	328,400	309,200	321,700	331,500	321,400
Educational and Health Services	233,100	225,800	237,300	249,300	264,300
Leisure and Hospitality	227,700	161,800	180,400	217,900	229,600
Other Services	52,000	44,100	47,500	53,100	55,300
Federal Government	11,100	11,600	11,000	10,800	10,700
State Government	32,600	32,600	34,200	33,400	33,400
Local Government	118,900	111,900	110,500	114,000	117,100
Total all Industries ⁽³⁾	1,677,200	1,534,600	1,589,800	1,667,700	1,683,600

(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 shows the principal employers in the City, as shown in the City's Comprehensive Annual Financial Report for fiscal year ending June 30, 2023.

CITY OF FULLERTON Major Employers As of June 30, 2023

Employer	Number of Employees
California State University, Fullerton	3,000
Raytheon Systems Co.	1,200
St. Jude Medical Center	1,000
Chuze Fitness	700
AJ Kirkwood & Associates, Inc.	600
Albertson's Regional Corporate	400
Morningside of Fullerton	350
RPM Transportation	300
Maury Oglevie	300
Nordstrom Design Center	250

Source: City of Fullerton Annual Comprehensive Financial Report for fiscal year ended June 30, 2023.

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 calendar years 2020 through 2024.

CITY OF FULLERTON, ORANGE COUNTY AND THE STATE OF CALIFORNIA AND THE UNITED STATES EFFECTIVE BUYING INCOME For Calendar Years 2020 Through 2024

	<u>Year and Area</u>	<u>Total Effective Buying Income (000s omitted)</u>	<u>Median Household Effective Buying Income</u>
<u>2020</u>	City of Fullerton	\$4,420,698	\$68,666
	Orange County	110,301,021	75,672
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
<u>2021</u>	City of Fullerton	\$4,600,388	\$70,216
	Orange County	114,764,529	78,648
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790
<u>2022</u>	City of Fullerton	\$5,125,564	\$80,218
	Orange County	126,634,581	87,821
	California	1,452,426,153	77,058
	United States	11,208,582,541	64,448
<u>2023</u>	City of Fullerton	\$5,239,301	\$81,184
	Orange County	130,684,331	88,523
	California	1,461,799,662	77,175
	United States	11,454,846,397	65,326
<u>2024</u>	City of Fullerton	\$5,527,339	\$85,826
	Orange County	135,368,782	91,981
	California	1,510,708,521	80,973
	United States	11,987,185,826	67,876

Source: Claritas, LLC.

Commercial Activity

A summary of historic taxable sales within the City and the County during the past five years in which data is available is shown in the following tables.

Total taxable sales during the three quarters of calendar year 2023 in the City were reported to be \$1,820,074,173 a 2.90% decrease over the total taxable sales of \$1,874,447,555 reported during the three quarters of calendar year 2022.

CITY OF FULLERTON
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(\$000s)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2019	2,688	\$1,562,115	4,796	\$1,999,711
2020	2,994	1,355,076	5,392	1,747,237
2021	2,598	1,716,338	4,767	2,268,724
2022	2,605	1,924,875	4,807	2,534,517
2023	2,484	1,856,140	4,626	2,472,477

Source: State Department of Tax and Fee Administration.

Total taxable sales during the three quarters of calendar year 2023 in the County were reported to be \$63,815,368,325 a 1.28% decrease over the total taxable sales of \$64,641,514,914 reported during the three quarters of calendar year 2022.

ORANGE COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(\$000s)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2019	71,305	\$47,044,198	122,989	\$69,499,158
2020	76,066	44,257,343	132,807	63,833,515
2021	67,060	53,650,590	118,779	78,253,936
2022	67,272	57,880,478	119,697	87,595,883
2023	65,013	57,041,304	116,309	86,410,823

Source: State Department of Tax and Fee Administration.

Building Activity

The tables below summarize building activity in the City and the County for the past five available years.

CITY OF FULLERTON Total Building Permit Valuations (Valuations in Thousands)

	2018	2019	2020	2021	2022
<u>Permit Valuation</u>					
New Single-family	\$6,780.6	\$3,735.8	\$4,074.4	\$3,697.0	\$3,243.3
New Multi-family	7,166.7	32,140.5	4,881.6	6,025.1	0.0
Res. Alterations/Additions	<u>12,136.2</u>	<u>2,070.2</u>	<u>6,546.8</u>	<u>1,189.4</u>	<u>10,259.2</u>
Total Residential	26,083.5	37,946.5	15,502.8	10,911.5	13,502.5
New Commercial	1,597.9	14,015.7	2,174.8	0.0	3,802.8
New Industrial	0.0	0.0	3,448.7	0.0	0.0
New Other	1,099.8	182.6	1,144.0	443.2	1,310.3
Com. Alterations/Additions	<u>9,863.6</u>	<u>3,408.1</u>	<u>26,625.0</u>	<u>6,605.3</u>	<u>37,415.9</u>
Total Nonresidential	12,561.3	17,606.4	33,392.5	7,048.5	42,529.0
<u>New Dwelling Units</u>					
Single Family	21	17	19	6	15
Multiple Family	<u>57</u>	<u>307</u>	<u>25</u>	<u>36</u>	<u>0</u>
TOTAL	78	324	44	42	15

Source: Construction Industry Research Board, Building Permit Summary.

ORANGE COUNTY Total Building Permit Valuations (Valuations in Thousands)

	2018	2019	2020	2021	2022
<u>Permit Valuation</u>					
New Single-family	\$1,442,020.5	\$1,094,688.2	\$902,643.6	\$1,051,349.7	\$903,918.4
New Multi-family	726,503.6	1,010,555.6	582,219.6	856,973.7	639,435.9
Res. Alterations/Additions	<u>582,094.5</u>	<u>537,089.8</u>	<u>386,094.4</u>	<u>485,637.1</u>	<u>671,417.6</u>
Total Residential	2,750,618.6	2,642,313.6	1,870,957.6	2,393,960.5	2,214,771.9
New Commercial	1,986,089.1	1,586,162.0	621,133.5	618,834.6	359,401.4
New Industrial	24,323.9	2,412.5	14,052.7	46,820.3	11,700.0
New Other	289,986.9	229,473.5	409,763.1	371,405.3	414,491.5
Com. Alterations/Additions	<u>1,231,885.1</u>	<u>1,334,453.1</u>	<u>939,371.9</u>	<u>788,015.5</u>	<u>1,142,718.8</u>
Total Nonresidential	3,532,285.0	3,152,501.1	1,984,321.2	1,825,075.7	1,928,311.7
<u>New Dwelling Units</u>					
Single Family	3,975	3,125	2,863	3,292	2,929
Multiple Family	<u>4,130</u>	<u>7,169</u>	<u>3,032</u>	<u>4,382</u>	<u>3,405</u>
TOTAL	8,105	10,294	5,895	7,674	6,334

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX B

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

APPENDIX C
SUMMARY OF THE FISCAL AGENT AGREEMENT

APPENDIX D
FORM OF OPINION OF BOND COUNSEL

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____
**CITY OF FULLERTON
COMMUNITY FACILITIES DISTRICT NO. 2
(AMERIGE HEIGHTS)
2024 SPECIAL TAX REFUNDING BONDS**

This CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) is executed and delivered by the City of Fullerton, California (the “City”), on behalf of itself and the City of Fullerton Community Facilities District No. 2 (Amerige Heights) (the “District”), in connection with the execution and delivery of the bonds captioned above (the “Bonds”). The Bonds are being executed and delivered pursuant to a Fiscal Agent Agreement, dated as of August 1, 2024, (the “Fiscal Agent Agreement”), by and between the City, for and on behalf of the District, and U.S. Bank Trust Company, National Association, as fiscal agent.

The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City, on behalf of itself and the District, for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended.

Section 2. Definitions. In addition to the definitions of capitalized terms set forth above and in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the meanings ascribed to them below when used in this Disclosure Certificate:

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

“*Annual Report Date*” means the date that is nine months days after the end of the City’s fiscal year (currently March 31 based on the City’s fiscal year end of June 30).

“*Business Day*” means any day on which the City is not required or authorized to be closed.

“Dissemination Agent” means David Taussig and Associates, Inc. dba DTA or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“*District*” means the City of Fullerton Community Facilities District No. 2 (Amerige Heights).

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

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

“*Official Statement*” means the final official statement dated _____, 2024, 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 required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2025, with the report for the 2023-24 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. 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 City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the City does not provide, or cause the Dissemination Agent to provide, an Annual Report by the Annual Report Date as required in subsection (a) above, the Dissemination Agent shall provide a notice to the MSRB, in a timely manner, in an electronic format as prescribed by the MSRB.

(c) The Dissemination Agent shall:

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

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

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) The City's audited financial statements 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, together with the following statement:

THE CITY'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15C2-12 UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. NO FUNDS OR ASSETS OF THE CITY ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS, AND NEITHER THE CITY NOR THE DISTRICT IS OBLIGATED TO ADVANCE AVAILABLE FUNDS TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

If the City's audited financial statements are not available by the Annual Report Date, 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 become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the following financial information and operating data with respect to the latest fiscal year of the District, substantially similar to that provided in the Official Statement:

(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 Fiscal Agent Agreement and a statement of the Reserve Requirement as of the September 2 preceding the filing of the Annual Report;

(iii) any changes to the Rate and Method of Apportionment of the Special Taxes approved or submitted to the qualified electors for approval prior to the filing of the Annual Report and a summary of the facts related to the collection of any Backup Special Tax and a description of any parcels for which the Special Taxes have been prepaid, including the amount prepaid, since the date of the last Annual Report

(iii) a list of all taxpayers which own property within the Issuer's boundaries upon which 5% or more of the total Special Taxes for the current fiscal year have been levied, and a statement as to whether any of such taxpayers is delinquent in the payment of Special Taxes;

(iv) The amount of prepayments of the Special Tax with respect to the District for the prior Fiscal Year;

(v) an update to Tables 3 and 4 of the Official Statement based upon the most recent Special Tax levy preceding the date of the Annual Report;

(vi) an update to the debt service table under the heading "DEBT SERVICE" based upon the outstanding principal of and interest due on the Bonds as of the September 2 preceding the filing of the Annual Report; and

(vii) any information not already included under (i) through (vi) above that the Issuer is required to file in its annual report to the California Debt and Investment Advisory Commission pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended.

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

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.

- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City.
- (13) The consummation of a merger, consolidation, or acquisition involving the City, or the sale of all or substantially all of the assets of the City (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional Fiscal Agent or the change of name of the Fiscal Agent, if material.
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material.
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

(b) Upon the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected bonds under the Fiscal Agent Agreement.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier “material” with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Upon occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or

liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

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

Section 7. Termination of Reporting Obligation. The City’s obligations 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 City shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be David Taussig and Associates, Inc. dba DTA. Any Dissemination Agent may resign by providing 30 days’ written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(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;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement 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.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, 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. The comparison shall include a 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, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City 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 City 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 City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or 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 City 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 Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, 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 its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 2024

CITY OF FULLERTON, CALIFORNIA,
on behalf of
CITY OF FULLERTON COMMUNITY
FACILITIES DISTRICT NO. 2
(Amerige Heights)

By: _____
[NAME],
[TITLE]

AGREED AND ACCEPTED:

DAVID TAUSSIG AND ASSOCIATES, INC dba DTA,
as Dissemination Agent

By: _____
Name: _____
Title: _____

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

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

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

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

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

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the

New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). On August 8, 2011, Standard & Poor’s downgraded its rating of DTC from AAA to AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

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

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant

events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

APPENDIX G
SPECIMEN MUNICIPAL BOND INSURANCE POLICY